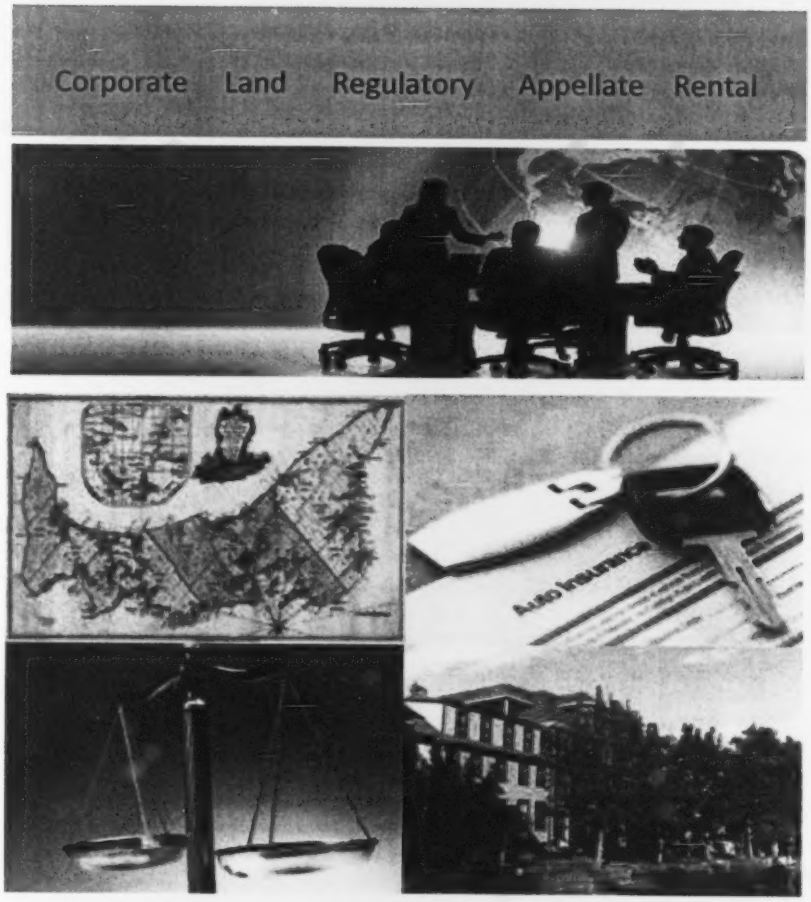
Island Regulatory and Appeals Commission



Annual Report 2010-11

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LETTER OF TRANSMITTAL 1
CHAIR'S COMMENTS 2
COMMENTARIES DU PRESIDENT 3
CORPORATE AND FINANCIAL 4
Legislative Responsibilities and Corporate Organization 4
Commission Personnel (as of March 31, 2011) 5
Public Hearing Days–by Division 6
Commission Meetings & Hearings 6
Commission Decisions-Orders-Approvals-Mediations 7
STRATEGIC PLAN 8
Corporate 8
Office of the Director of Residential Rental Property 10
Technical and Regulatory Services Division 11
Land, Corporate and Appellate Services Division 12
FINANCIAL DATA 15
ASSESSMENTS 28
LANDS PROTECTION ACT 31
LANDS PROTECTION – APPLICATIONS 32
Non-Resident Applications 32
Corporate Applications — Resident 33
Corporate Applications — Non-Resident 34
Global Leasing Applications — Non-Resident and Corporate 35
Applications to Cancel, Suspend or Amend Conditions 35
Summary 35
LANDS PROTECTION – OTHER 36
Annual Disclosure Process 36
The Land Identification Program 36
Exemption for Environmentally Significant Class of Land 37
Information and Monitoring System 37
Enforcement 38
Municipal Boundary Extensions 38
REGULATORY FUNCTIONS 40
Petroleum 40
Electricity 45
Water & Sewer 49
Automobile Insurance 52
Waste Management 52
APPELLATE FUNCTIONS 53
Planning 53
Real Property Assessments 54
Real Property Taxes 55
Appeals under the Emergency 911 Act 55
Revenue (Sales) Taxes 55
Unsightly Properties 55
Entranceway Permits 56
Heritage Places 56
Environmental Appeals 56
Rental Appeals 56
OFFICE OF THE DIRECTOR OF RESIDENTIAL RENTAL PROPERTY 57
Roles and Responsibilities 57
Activities 58
Enforcement of Statutory or Other Conditions of a Rental Agreement 60
Security Deposits 61
Termination of Rental Agreements 61
Rent Increases 61
Appeals to the Commission 62
Significant Events 62

LETTER OF TRANSMITTAL

The Honourable Doug Currie
Minister of Education and Early Childhood Education
Province of Prince Edward Island

Honourable Mr. Currie:

The Island Regulatory and Appeals Commission has the honour to present its Annual Report for the year ended March 31, 2011.

Respectfully submitted,

Maurice Rodgerson
Chair

The Island Regulatory and Appeals Commission, or "IRAC" as it is commonly known in Prince Edward Island, was established in 1991 following the amalgamation of the former Public Utilities Commission, Land Use Commission and the Office of the Director of Residential Rental Property (Rentalsman). The Commission operates at arms-length from the Provincial Government. It has three full-time and up to five part-time Commissioners and a staff complement of 18.

For more information, please visit our website at www.irac.pe.ca

CHAIR'S COMMENTS

I am pleased to present the annual report of the Prince Edward Island Regulatory and Appeals Commission and reflect on another busy and productive year for the Commission. In the pages that follow you will find details of the Commission's activities and the services we provide to the people of Prince Edward Island.

During the reporting period the Commission recorded its highest number of public hearing days reflecting several complex planning and petroleum related hearings. Non-resident applications under the *Lands Protection Act* appear to be returning to more traditional levels following a 50% decrease during the economic downturn. Petroleum pricing continues to witness significant fluctuations due to global market influences.

Water and Sewer permits reflect the infrastructure and fuel tax rebate initiatives and the environmental requirements to upgrade services. It is worthy of note that the costs of providing sewer and water services and meeting environmental regulations coupled with a stable or diminishing customer base represent a growing challenge for some Municipalities.

Auto Insurance regulation is an area of continued good news. The move to rate regulation resulted in a significant drop in rates and on average Island drivers enjoy the lowest auto insurance rates in the country while still having a wide array of service providers.

The Commission has operated within budget and generated a small surplus due to the diligence of staff and respect for the importance of properly managing financial resources.

Part-time Commissioners fill an important role at the Commission providing specific expertise and flexibility that enables the Commission to effectively deal with the variety of responsibilities assigned to us. Over this past year there has been a turnover in all five Part-time Commissioner positions. I take this opportunity to thank Gordon McCarville, David Holmes, Ernest Arsenault, Chester MacNeil and Anne Petley for their service with the Commission. Anne served for almost ten years with the Commission. We welcome Michael Campbell, Leonard Gallant, Ferne MacPhail, Peter McCloskey and Jean Tingley who are already demonstrating their dedication.

Each passing year I become even more appreciative of the staff of the Commission and the professionalism, respect and dedication reflected in their work. Islanders are well served by such dedication.

The decisions made by the Commission impact people's lives and therefore generate considerable interest and often feedback. Recognizing that it is not our role, nor is it possible to please everyone, the Commission takes pride in its adherence to the principles of natural justice and fairness.

Maurice Rodgerson, Chair

COMMENTARIES DU PRESIDENT

Je suis heureux de présenter le rapport annuel de la Commission de réglementation et d'appels de l'Île-du-Prince-Édouard; nous avons encore une fois été très productifs et occupés cette année. Les pages suivantes contiennent les détails des activités de la Commission et des services qu'elle procure aux Insulaires.

Durant l'exercice, la Commission a compté son plus grand nombre de journées consacrées à des audiences publiques, en partie à cause de certaines audiences complexes liées à la planification et au pétrole. Le nombre de demandes des non-résidents soumises en vertu de la *Lands Protection Act* (loi sur la protection des terres) semble être de retour à la normale après avoir chuté de 50 % lors du ralentissement économique. Les influences mondiales donnent lieu à d'importantes fluctuations en ce qui concerne le prix du pétrole.

Les permis en matière d'égout et d'eau reflètent les initiatives liées à l'infrastructure, la ristourne de la taxe sur le carburant et les exigences environnementales quant à l'amélioration des services. Il est à noter que les coûts associés aux services d'égout et d'eau et aux règlements environnementaux, jumelés à une clientèle stable ou à la baisse, présentent un défi grandissant pour certaines municipalités.

La réglementation des tarifs d'assurance automobile continue d'être positive. En appliquant cette réglementation, nous avons observé une chute marquée des tarifs; en moyenne, les conducteurs de l'Île profitent des tarifs d'assurance automobile les plus bas au pays tout en ayant le choix parmi plusieurs fournisseurs de services.

La Commission a atteint ses objectifs de fonctionnement dans les limites budgétaires et a enregistré un léger surplus grâce à la diligence du personnel et au respect des ressources financières.

Les commissaires à temps partiel jouent un rôle important auprès de la Commission en apportant de l'expertise précise et une flexibilité qui nous permet d'assumer efficacement les responsabilités qui nous sont confiées. Au cours de la dernière année, les cinq commissaires à temps partiel ont été remplacés. J'aimerais profiter de l'occasion pour remercier Gordon McCarville, David Holmes, Ernest Arsenault, Chester MacNeil et Anne Petley de leur service auprès de la Commission; soulignons qu'Anne y a travaillé pendant près de 10 ans. Nous souhaitons la bienvenue à Michael Campbell, Leonard Gallant, Ferne MacPhail, Peter McCloskey et Jean Tingley. Leur travail révèle déjà un grand dévouement.

Chaque année, je suis de plus en plus reconnaissant envers le personnel de la Commission. Les membres de la Commission travaillent avec professionnalisme et respect, et servent les Insulaires avec un dévouement remarquable.

Les décisions prises par la Commission ont une incidence sur la vie des Insulaires et suscitent donc considérablement l'attention et les commentaires des gens. En reconnaissant que tel n'est pas notre rôle, et qu'il n'est non plus possible de plaire à tout le monde, la Commission est fière d'adhérer aux principes de la justice naturelle et de l'impartialité.

Maurice Rodgerson, president

CORPORATE AND FINANCIAL

Legislative Responsibilities and Corporate Organization

Introduction

The principal *Acts* under the administration of the Commission are:

- *Lands Protection Act*
- *Rental of Residential Property Act*
- *Petroleum Products Act*
- *Electric Power Act*
- *Water and Sewerage Act*

In addition to administering these *Acts*, the Commission's responsibilities include: appellate responsibilities under the *Planning Act*; the *Unsightly Property Act*; the *Revenue Administration Act* (appeals on taxation under the *Gasoline Tax Act*, the *Health Tax Act*, the *Revenue Tax Act*, and the *Environment Tax Act*); the *Real Property Assessment Act*; the *Real Property Tax Act*; the *Roads Act*; and the *Heritage Places Protection Act*. The Commission has responsibility under the *Municipalities Act* for conducting public hearings and making recommendations to the Minister on municipal boundary extension applications. The Commission regulates automobile insurance rates under the *Insurance Act*, and changes to Island Waste Management Corporation rates under the *Environmental Protection Act*. The Commission was given additional appellate responsibilities during 2009 with the granting of a limited right of appeal under Section 29.1 of the *Environmental Protection Act* in conjunction with Section 13 of the *Environmental Protection Act* – Watercourse and Wetland Protection Regulations.

The Island Regulatory and Appeals Commission is established by the *Island Regulatory and Appeals Commission Act*, R.S.P.E.I. 1988 Cap. I-11.

IRAC conducted 300 meetings/hearings and presided over 59 hearing days during fiscal 2010-11.

Commission Personnel (as of March 31, 2011)

Full-time Commissioners:

Chair and Chief Executive Officer	Maurice Rodgerson
Vice-Chair	Allan Rankin
Commissioner	John Broderick

Part-time Commissioners:

Michael Campbell
Leonard Gallant
Ferne MacPhail
Peter McCloskey
Jean Tingley

Staff Positions:

Land, Corporate and Appellate Services

Director	Eileen Callaghan
Commission Administrator	Susan Jefferson
LPA Administrator (on secondment)	Danielle Gillan
Appeals Administrator	Philip Rafuse
LPA Analyst	Janice MacKinnon
LPA Analyst (term)	Cassie MacKenzie
Admin Support / Receptionist	Dawn Murphy
Receptionist	Glynne Squires

Office of the Director of Residential Rental Property

Director	Catherine Flanagan
Rental Officer	Shayne Hogan
Rental Officer	John Keizer
Information Officer	Kay Driscoll
Administrative Assistant	Hillis Jones

Technical and Regulatory Services

Director	Allison MacEwen
Senior Analyst	Mark Lanigan
Research Analyst	Heather Walker
Systems Specialist	Daniel Arsenault
Analyst	Donna Chandler
Licensing & Pricing Coordinator	Faye Weeks

The Lieutenant Governor in Council appoints the members of the Commission and designates the chairman and a vice-chairman.

The ***Island Regulatory and Appeals Commission Act*** provides for the appointment of a full-time chairman who shall be the chief executive officer of the Commission, a full-time vice-chairman, who shall assume primary responsibilities for matters related to land, one other commissioner; and not more than five part-time commissioners.

2002 — 2011
Public Hearing Days–by Division
(Fiscal Year End)

	land & prope.ty	technical services	rental	petroleum	TOTAL
2011	30	5	20	4	**59**
2010	9	1	33	0	**43**
2009	16	1	15	0	**32**
2008	6	0	12	0	**18**
2007	9	0	10	0	**19**
2006	21	0	18	0	**39**
2005	18	4	13	0	**35**
2004	5	0	12	0	**17**
2003	13	4	13	0	**30**
2002	8	2	9	0	**19**

2002 – 2011
Commission Meetings & Hearings
(Fiscal Year End)

	hearings	meetings	TOTAL
2011	59	241	**300**
2010	43	233	**276**
2009	32	256	**288**
2008	18	215	**233**
2007	19	208	**227**
2006	39	245	**284**
2005	35	159	**194**
2004	17	198	**215**
2003	30	201	**231**
2002	19	218	**237**

2002 - 2011
Commission Decisions-Orders-Approvals-Mediations
(Fiscal Year End)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
LANDS PROTECTION										
Non-Resident Applications	104	116	99	106	106	120	113	107	48	72
Corporate Applications	210	203	225	185	203	246	240	211	171	191
Annual Disclosure Statements	115	120	134	136	142	142	150	139	135	146
Global Lease Applications	10	4	9	16	8	4	12	11	11	11
Amendment Applications	25	38	47	54	51	67	42	49	44	36
Enforcement Decisions/Orders	20	13	15	4	9	4	5	19	18	15
TOTAL LANDS PROTECTION	**484**	**494**	**529**	**501**	**519**	**583**	**562**	**536**	**427**	**471**
MUNICIPAL BOUNDARY EXTENSIONS	**0**	**0**	**0**	**1**	**2**	**0**	**4**	**2**	**0**	**2**
REGULATORY FUNCTIONS										
• **Petroleum Licensing & Pricing**										
Petroleum Pricing Applications	98	109	109	111	108	**50	16	28	38	32
Other Petroleum Pricing Matters	2	6	1	5	5	22	28	34	30	30
Initial Petroleum Applications	4	26	1	9	11	13	8	4	7	5
Other Petroleum	4	4	21	31	59	56	40	31	40	28
Subtotal	**108**	**145**	**132**	**156**	**183**	**141**	**92**	**97**	**115**	**95**
• **Public Utilities**										
Water-Sewer Utility Rate Applications	2	1	4	4	2	6	2	6	3	3
Electric Utility Rate-Related Applications*	n/a	n/a	0	2	3	1	2	5	4	3
Water-Sewer Utility Formal Complaints	0	0	0	0	0	0	0	0	1	0
Electric Formal Complaints	0	0	0	0	0	0	1	1	0	0
Other Water-Sewer	0	0	1	0	0	1	0	0	0	0
Other Electric	0	1	1	4	1	8	6	12	2	2
Water-Sewer Construction Permits	7	15	15	6	13	23	12	7	11	15
Other	0	0	0	0	0	0	0	0	0	0
Subtotal	**9**	**17**	**21**	**16**	**19**	**39**	**23**	**31**	**21**	**23**
• **Automobile Insurance**	**n/a**	**n/a**	**22**	**17**	**36**	**32**	**56**	**73**	**57**	**59**
• **Island Waste Management**	**n/a**	**n/a**	**n/a**	**n/a**	**1**	**0**	**0**	**0**	**1**	**0**
TOTAL REGULATORY FUNCTIONS	**117**	**162**	**175**	**189**	**239**	**212**	**171**	**201**	**194**	**177**
APPELLATE FUNCTIONS										
Planning Act Appeals	9	5	8	14	14	12	11	14	11	13
Roads Act Appeals	2	0	0	0	0	0	0	0	0	0
Real Property Assessment Act Appeals	0	4	0	0	2	1	0	1	0	2
Rental Appeals/Allowable Rent Increase	16	22	20	21	20	18	17	19	36	23
Sales Tax Appeals	2	4	1	0	0	0	0	0	0	0
Appeals Mediated	1	2	0	4	2	2	0	0	0	0
TOTAL APPELLATE FUNCTIONS	**30**	**37**	**29**	**39**	**38**	**33**	**28**	**34**	**47**	**38**
TOTAL OVERALL	**631**	**693**	**733**	**730**	**798**	**828**	**765**	**773**	**668**	**688**

*Effective January 1, 2004, electric regulation was re-established.

** Process of requiring applications for routine price changes discontinued (except for propane).

STRATEGIC PLAN

Corporate

Mandate

The Commission is an independent quasi-judicial tribunal with appellate, regulatory and administrative responsibilities derived from the *Island Regulatory and Appeals Commission Act* and the provisions of a number of Province of Prince Edward Island Statutes.

Vision

To be respected for independence, professionalism, competence and leadership in the matters the Commission regulates, adjudicates and administers.

Mission

To ensure the public of Prince Edward Island is provided with unbiased, well-reasoned, clear and timely decisions in all matters brought before the Commission for its consideration.

Core Values

The following values govern the Commission's daily operations and interactions:

- **Respect of the public trust vested in the Commission.**
- **Respect of the individuals, businesses and organizations with whom we interact.**
- **Professionalism in consultations and public hearings.**
- **Fairness, balance, clarity and timeliness in decisions.**
- **A safe, healthy, co-operative and respectful environment for our staff and the clients we serve.**
- **Competent, well-trained, and motivated employees.**
- **Open, accountable and responsible fiscal management.**
- **Openness to new ideas and changes that meet the requirements of governing legislation and improve the Commission's effectiveness and efficiency.**

In 2004, upon the completion of an environmental scan, the Commission adopted a Strategic Plan to guide operations into the future. Divisions established a number of specific goals and objectives based upon the Strategic Plan and those goals and objectives were presented in detail in the Commission's 2003-2004 annual report.

Since 2004, each annual report provides an update on the progress of goals and objectives set the preceding year and notes initiatives planned for the coming year.

Goals

- To maintain the Commission's actual and perceived independence while remaining open and accountable to the public.
- To liaise with regulated industries in maintaining an efficient, fair, reasonable and cost effective regulatory system for auto insurance, water-wastewater, waste management and electrical rates.
- To regularly monitor and analyze public issues which arise in the normal course of the Commission fulfilling its mandate and to discuss such issues, where appropriate, with the Minister through whom the Commission reports to the legislature.
- To produce legally correct, timely, well-reasoned and unbiased decisions for all matters under the Commission's consideration.
- To maintain up-to-date IT systems and hardware to enable staff to competently serve the public.
- To provide a non-threatening and user-friendly atmosphere for hearings and to continue to encourage appellants to appear, with or without legal representation.
- To conduct hearings in such a manner as to ensure those without legal representation are afforded the full opportunity to be heard within the principles of fairness and natural justice.
- To continue to improve and expand the Commission's involvement and communication with relevant organizations and boards, government, regulated industries, public utilities and the general public.
- To ensure the public is properly informed about the Commission, its legislated mandate and its various functions.
- To ensure a continuous, well-trained, competent staff in all Commission mandated functions through staff development, training and cross-training where possible.
- To provide a safe, healthy work environment for staff.

Accomplishments 2010-2011

- To facilitate public access, the Commission began web casting some hearings.
- The Commission commenced the development of rules and practices to assist those appearing before the Commission. This process should be completed in 2011-2012.
- The Commission facilitated regional information and training sessions with water and sewer utility administrative officials.
- The Commission initiated the production and distribution of a questionnaire to water and sewer utility administrators designed to identify their needs and areas of concern.
- The Commission conducted a public hearing relating to applications received for two proposed new retail gasoline outlets in Stratford, PE.

Objectives 2011-2012

- Complete the development of the Commission's rules and practices to assist those appearing before the Commission and post on the website.
- Secure a more stable funding arrangement for the Commission.
- Continue to make staff available to meet with water and sewer utility administrative officials.
- Review the Commission's website to enhance ease of access and effective presentation of relevant information.

Office of the Director of Residential Rental Property

1. Inquiries

Accomplishments 2010-2011

- The number of inquiries to the Office of the Director of Residential Rental Property experienced a decrease of 10% from 2010-2011. However, lessors and lessees continue to contact the Office for information on all aspects of the legislation.
- The Information Officer and Rental Officers were able to increase the number of general information sessions presented to interest groups and individuals anxious to understand their rights as lessors/lessees as well as to other groups who interact with lessors and lessees.
- The Information Officer also began the process of providing updated training to all staff of Access PEI who interact with the public regarding the *Rental of Residential Property Act* and its Regulations.

Objectives 2011-2012

- To continue to provide timely and knowledgeable advisory services so that lessors and lessees may resolve their differences quickly and at the earliest opportunity.
- To expand the areas for providing information to the public including more outreach and better utilization of technology.
- To complete the training sessions with Staff of Access PEI.

2. Hearings

Accomplishments 2010-2011

- The total number of applications filed in 2010-2011 decreased from 450 to 416.
- Approximately 21% of all applications were resolved prior to a hearing being held, an increase of 2% over the previous reporting period.
- The slightly lower number of applications, coupled with the increase in the number of applications resolved before a hearing, resulted in a decrease of 9% in the average time elapsed from application to hearing date in 2010-2011.

Objectives 2011-2012

- To continue to find innovative ways to improve the timely scheduling of hearings in all non-urgent applications.
- To seek innovative ways to maintain the current turnaround times for urgent applications.
- To provide assistance to the parties to facilitate resolution of the issues between them and to better prepare participants for hearings.

3. Decisions

Accomplishments 2010-2011

- The number of orders issued by the Office decreased from the previous year, from 395 to 350, reflecting the lower number of applications made.
- The reduction in the average wait time from hearing date to order issued was reduced by 14% compared with the previous reporting period.

Objectives 2011-2012

- To continue to strive to issue all orders on a timely basis.
- To continue to streamline the process of rendering decisions while maintaining the quality of the written decisions.
- To explore ways in which technology can be used to achieve greater efficiency in rendering decisions.
- To explore ways in which the decisions can be made more easily understood by the parties.

Technical and Regulatory Services Division

1. Auto Insurance Rate Regulation

Auto insurance rate regulation was implemented in 2004-2005 and continues to consume significant staff resources.

Accomplishments 2010-2011

- Reviewed and approved annual auto insurance rate filings for all insurers.
- Refined database management tools that assisted in analyzing and processing applications.
- Actively participated in the development of the Canadian Auto Insurance Rate Regulators Association (CARR).
- Successfully implemented and updated the rating profile system.
- Transitioned to a national harmonized rating profile system.

Objectives 2011-2012

- To review and approve annual auto insurance rate filings for all insurers.
- To continue the development of a regulatory process that is cost effective and timely.
- To continue to refine database management tools to assist in analyzing and processing applications.
- To review the filing guidelines and rating profiles.
- To continue active participation in the Canadian Auto Insurance Rate Regulators Association.
- To host the national convention of the Canadian Auto Insurance Rate Regulators in the fall of 2012.

2. Electrical Utility Regulation

The implementation of electric utility regulation took effect on January 1, 2004 with the proclamation of the *Electric Power Act*.

Accomplishments 2010-2011

- Conducted public hearings into: 1) Maritime Electric's 2010 rate application; and 2) reviewed Maritime Electric's 2011 annual capital budget and 2009 capital budget variance report.
- Approved Maritime Electric's participation in Powershift Atlantic, an initiative investigating the integration of energy produced by wind generation into the Atlantic electrical grid.

- Verified Maritime Electric's compliance with Section 3 of the *Renewable Energy Act* which requires procurement of 15% of electricity from renewable generation sources.

Objectives 2011-2012

- To continue the development of a regulatory process that is cost effective and timely;
- To review Maritime Electric's ongoing capital programs as well as its rules and regulations, and to finalize an open access transmission tariff in Prince Edward Island; To monitor Maritime Electric's compliance with *Electric Power (Electricity-Rate Reduction) Amendment Act*.

3. Petroleum Regulation

Accomplishments 2010-2011

- Continued to refine the Commission's Commodity Based Pricing Model.

Objectives 2011-2012

- To continue to maintain the high level of data analyses and research in the pricing area.
- To continue to maintain a positive working relationship with the industry and the consuming public.

4. Municipal Water and Wastewater Utility Regulation

The Commission regulates approximately 26 municipal and private water-wastewater utilities.

Accomplishments 2010-2011

- Reviewed the rates of several municipal utilities and authorized a number of rate changes.

Objectives 2011-2012

- To continue to ensure that uniform accounting procedures are being followed.
- To continue to provide assistance and information to utilities, and to review and authorize rate changes as necessary.
- To review current practices, particularly related to rate setting, and to gather feedback from utilities on ways to enhance procedures.

Land, Corporate and Appellate Services Division

1. Appellate Functions

Accomplishments 2010-2011

- Commission staff continues to provide interested individuals with information on the appeal process and appeal procedure.
- A fine tuning of the process for appeals under the *Environmental Protection Act* (EPA) will continue to evolve as future appeals are received. Up until recently, EPA appeals were withdrawn or otherwise concluded before an oral hearing was held and thus the hearing stages of the Commission's EPA appeal process remained untested. However, during 2010-2011 the appeal process under the EPA has been followed through all

stages of an appeal as the Commission held its first oral hearing on an EPA appeal in March 2011.

- During 2010-2011 the Commission regularly provided internet audio broadcasts of appeal hearings where there are matters of significant public interest. Generally, most appeals under the *Planning Act* have a significant public interest component and are therefore broadcast by the Commission. These internet hearing broadcasts are accessible through the Commission's website and allow interested persons worldwide to listen to these hearings.
- Staff continued to review the Frequently Asked Questions sections of the appeals area on the Commission's website and made appropriate changes and additions on a regular basis.

Objectives 2011 - 2012

Commission staff will:

- Continue to liaise with those groups and organizations who are interested in the Commission's mandate;
- Continue to be available to groups such as the Federation of Municipalities, the Department of Finance and Municipal Affairs and the Law Society of Prince Edward Island;
- Continue to provide research for the Commission into emerging jurisdictional issues which may arise as a result of the proclamation of revisions to the *Planning Act* in June, 2009.
- Continue monitoring the ongoing development of the appeal process for appeals filed under the *Environmental Protection Act*.
- Continue an ongoing review of the Frequently Asked Questions sections of the appeals area on the Commission's website;
- Continue to work with Technical and Regulatory Services Division staff to revamp/create a database for appeals.
- Commence a process to codify existing Commission practices and procedures utilized within the appellate context.

2. Lands Protection

Accomplishments 2010-2011

- The Notices of Termination project was completed and all parcels with registered Notices of Termination were entered in the Commission's database.
- LPA Disclosure Forms were reviewed.
- The Administrative Guidelines were reviewed by the Commission and amended guidelines were approved by Executive Council on January 11, 2011.
- The database recording lands eligible for an exemption under the LPA Exemption Regulations is fully functional.
- Frequently Asked Questions are reviewed on an ongoing basis.

Objectives 2011-2012

Commission staff shall:

- If the Departments are agreeable, arrange a follow-up meeting with property development officers and Provincial planning staff at a time that is convenient for all parties.
- Bring the list of transaction checks up-to-date by searching the Registry Office for deeds for those transactions where it is unknown whether they have occurred.
- Review non-resident ownership in the Province. The analysis of a discrepancy between the number of acres transferred to non-resident ownership according to Provincial assessment records and the number of acres approved for non-resident ownership under the *Lands Protection Act* process is on-going; however, it should be completed in this fiscal year.
- Staff is continuing to develop methods to provide a more accurate estimate of identified acreage in the Province as time and resources permit.
- Prepare a response to the Report of the Commission on Land and Local Governance released in December, 2009 and meet with appropriate Provincial staff to discuss the Commission's response.
- Review the Frequently Asked Questions on an ongoing basis.

3. Divisional

Objectives 2011-2012

- The Commission will continue to provide staff opportunities to participate in training and development. Staff will also be provided with in-house training sessions that are relevant to their areas of work.

FINANCIAL DATA

Section 17 of the *Island Regulatory and Appeals Commission Act* states:

> *"The Executive Committee shall appoint an auditor to audit the accounts and financial transactions of the Commission."*

Financial Statements of

PRINCE EDWARD ISLAND REGULATORY AND APPEALS COMMISSION

Year ended March 31, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Commissioners of Prince Edward Island Regulatory and Appeals Commission

We have audited the accompanying financial statements of Prince Edward Island Regulatory and Appeals Commission which comprise the balance sheets for the capital and operating fund as at March 31, 2011, and the statement of earnings and surplus for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2011 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures were audited by BFM Chartered Accountants whose practice now operates under BDO Canada LLP.

BDO Canada LLP

Charlottetown, Prince Edward Island
June 20, 2011

PRINCE EDWARD ISLAND REGULATORY AND APPEALS COMMISSION

Balance Sheet - Capital Fund

March 31, 2011, with comparative figures for 2010

	2011	2010
Assets		
Leaseholds and equipment (note 3)		
Leasehold improvements	$ 19,800	$ 19,800
Furnishings and equipment	16,366	16,366
Computer equipment	263,510	273,135
	299,676	309,301
Accumulated amortization	230,892	214,642
	$ 68,784	$ 94,659
Liabilities and Surplus		
Surplus: Invested in leaseholds and equipment (note 4)	$ 68,784	$ 94,659

See accompanying notes to financial statements.

On Behalf of the Board:

Chairman

PRINCE EDWARD ISLAND REGULATORY AND APPEALS COMMISSION

Balance Sheet - Operating Fund

March 31, 2011, with comparative figures for 2010

	2011	2010
Assets		
Current assets:		
Cash and term deposits (note 2)	$ 1,189,953	$ 848,255
Cash held in trust	4,711	5,075
Receivables - trade	60,102	64,576
- employees	12,058	4,880
Prepaid expenses	280	357
	$ 1,267,102	$ 923,143
Liabilities and Surplus		
Current liabilities:		
Accounts payable and accrued liabilities:		
Trade	$ 124,362	$ 70,655
Vacation pay	91,704	94,274
Deposit guarantees - Director of Residential Rental Property	4,711	5,075
Province of Prince Edward Island	-	192,049
	220,777	362,053
Deferred revenue (note 5)	232,934	-
Reserves (note 6)	192,049	-
Severance allowance	384,250	349,873
Surplus	237,092	211,217
Commitment (note 7)		
	$ 1,267,102	$ 923,143

See accompanying notes to financial statements.

On Behalf of the Board:

Chairman

PRINCE EDWARD ISLAND REGULATORY AND APPEALS COMMISSION

Statement of Earnings and Surplus - Operating Fund

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Revenue:		
Assessment - Province of Prince Edward Island	$ 1,308,400	$ 1,335,100
Assessments on public utilities	458,307	454,691
Licenses - petroleum products	269,717	261,490
Permits - land and property division	217,173	118,949
Assessments on auto insurance	185,377	135,883
Investment and other income	30,723	24,427
Land Protection Act penalties	6,000	-
	2,475,697	2,330,540
Expenses:		
Advertising	16,536	16,760
Amortization	95,070	98,278
Cleaning	8,096	8,920
Computer maintenance and supplies	41,625	38,288
Education and development	17,810	18,090
Insurance	10,148	9,499
Office and supplies	25,902	31,029
Part-time commissioners	43,337	41,122
Postage	4,027	3,966
Professional fees	105,520	95,253
Publications	14,334	13,952
Rent	181,812	182,217
Salaries and employee benefits	1,603,330	1,620,531
Telephone	17,236	19,968
Travel	58,380	51,697
	2,242,763	2,249,570
Earnings before the undernoted	232,934	80,970
Deferred revenue (note 5)	(232,934)	(80,970)
Net earnings	-	-
Surplus, beginning of year	211,217	177,428
Transfer from capital fund	95,070	98,278
Transfer to capital fund for investment in leaseholds and equipment	(69,195)	(64,489)
Surplus, end of year	$ 237,092	$ 211,217

See accompanying notes to financial statements.

The Commission is incorporated under the Island Regulatory and Appeals Commission Act of Prince Edward Island. The Commission is primarily engaged in the general supervision of public utilities, petroleum distributors, land and property appeals, Office of the Director of Residential Rental Property, auto insurance rate regulation and the hearing of appeals for property and sales tax disputes. The Commission is also responsible for recommending decisions under the Lands Protection Act. The Commission is a non-taxable entity under the provisions of the Income Tax Act.

1. Significant accounting policies:

(a) Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand, bank balances and investments in money market instruments with maturities of less than one year; all money market instruments are available on demand and can be cashed prior to maturity. Cash and cash equivalents have been classified as held-for-trading.

(b) Leaseholds and equipment:

Leaseholds and equipment are stated at cost and are amortized on the straight-line basis using the following annual rates:

Asset	Rate
Leasehold improvements	20%
Furnishings and equipment	20%
Computer equipment	33 1/3%

(c) Vacation pay and severance allowance:

Vacation pay is recorded as a liability when earned. Severance allowances are recognized when the employee meets the eligibility criteria.

(d) Pension costs:

Employees of the Commission belong to the Civil Service Superannuation plan. Employees' contributions and matching employer's contributions are transferred to the Civil Service Superannuation Fund. Future actuarial liabilities assumed by the Province of Prince Edward Island are not reflected in these financial statements.

1. **Significant accounting policies (continued):**

(e) **Investments:**

Investments are classified as held-for-trading and are recorded at market value.

(f) **Revenue recognition:**

Revenues are recorded in the period in which the transaction or events that give rise to the revenues occur. Amounts that have been received in advance of services being rendered are recorded as deferred revenue until the Commission discharges the obligations that led to the collection of funds.

(g) **Financial instruments:**

The Commission utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the Commission is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

All transactions related to financial instruments are recorded on a trade date basis. The Commission does not enter into financial hedging activities and does not engage in derivative transactions.

The Commission classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Commission's accounting policy for each category is as follows:

Held-for-trading:
This category is comprised of certain investments in equity and debt instruments, stand-alone derivatives, other than those designated as hedging items, and embedded derivatives requiring separation. They are carried in the balance sheet at fair value with changes in fair value recognized in the income statement. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Loans and receivables:
These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services to customers (accounts receivable), but also incorporate other types of contractual monetary assets. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Transaction costs related to loans and receivables are expensed as incurred.

1. **Significant accounting policies (continued):**

(g) **Financial instruments (continued):**

Other financial liabilities:
Other financial liabilities include all financial liabilities other than those classified as held-for-trading and is comprised of trade payables, other short-term monetary liabilities and bank borrowings. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are expensed as incurred.

(h) **Use of estimates:**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

(i) **Wage assistance:**

The Commission records any wage assistance received as a reduction of the applicable salary expense. During the year, the Commission received $ 19,492. (2010 - $ Nil.) in wage assistance.

(j) **Financial risk management objectives and policies:**

The Commission's risk management policies are part of the overall management of the entity's operations. Management's direct involvement in day-to-day operations identifies risks and variations from expectations leading to changes in risk management activities, requirements and actions. As part of the overall management of the entity's operations, management considers avoidance of undue concentrations of risk, and employs appropriate investment and credit management policies to manage the Commission's exposure.

2. Cash and term deposits:

	2011	2010
Cash	$ 109,896	$ 54,261
Scotiabank - GIC's	1,080,057	793,994
	$ 1,189,953	$ 848,255

3. Leaseholds and equipment:

	Cost	Accumulated amortization	2011 Net book value	2010 Net book value
Leasehold improvements	$ 19,800	$ 19,800	$ -	$ 3,960
Furnishings and equipment	16,366	15,209	1,157	4,431
Computer equipment	263,510	195,883	67,627	86,268
	$ 299,676	$ 230,892	$ 68,784	$ 94,659

4. Surplus - capital fund balance sheet:

	2011	2010
Surplus, beginning of year	$ 94,659	$ 128,448
Equipment purchased during current year	69,195	64,489
	163,854	192,937
Transfer to operating fund - amortization	95,070	98,278
Surplus, end of year	$ 68,784	$ 94,659

5. Deferred revenue:

Pursuant to a three-year provincial assessment agreement entered into with the Province of Prince Edward Island, the Commission has agreed to refund to the Province of Prince Edward Island, at the end of the agreement, the accumulated surplus, if any, for the years ended March 31, 2011, 2012, and 2013.

6. Reserves:

	2011	2010
Reserve balance, beginning of year	$ -	$ 48,366
Transfer to reserve	192,049	-
Repayment to Province	-	(48,366)
Reserve balance, end of year	$ 192,049	$ -
Comprised of:		
Reserve for Provincial assessment deficiency	$ 192,049	$ -
	$ 192,049	$ -

7. Commitment:

The Commission has an operating lease for its premises at $ 14,981. per month plus common area charges, under a lease expiring on March 31, 2012. The Commission will have an option to renew its lease for an additional five years provided certain conditions are met upon expiry.

The minimum annual lease payment to the expiry date is $ 179,772.

8. Pension costs and obligations:

During the year, the Commission contributed $ 110,341. (2010 - $ 103,153.) to a defined benefit pension plan on behalf of certain employees. These amounts are included in salaries and employee benefits in the statement of earnings and surplus. The pension plan is provided by the Province of Prince Edward Island's Civil Service Superannuation Fund.

9. Financial instruments:

	As at March 31, 2011		As at March 31, 2010	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Held-for-trading				
Cash and cash equivalents	$ 1,194,664	$ 1,194,664	$ 853,330	$ 853,330
Loans and receivables				
Trade and other accounts receivable	72,158	72,158	69,456	69,456
Other financial liabilities				
Trade and other accounts payable	220,777	220,777	362,053	362,053

The carrying values of financial instruments included in current assets and current liabilities approximate their fair value, reflecting the short-term maturity, normal trade credit terms and/or the nature of these instruments. The fair value of the Commission's severance allowance is not determinable due to the uncertainty surrounding the timing of employee retirements. Accordingly, the carrying value of the allowance is deemed to approximate its fair value.

10. Capital management:

The Commission's capital consists of surplus, net of cash and term deposits. The Commission's primary capital management objective is to ensure that committed future expenditures do not exceed current capital resources.

To manage the capital structure, the Commission may adjust capital spending, or may acquire additional capital resources. The Commission does not currently have any material long-term debt, capital leases or any off-balance-sheet obligations, and because it does not anticipate any such debt during 2012, it is not providing guidance on debt within the capital structure.

The Commission is not subject to any externally imposed capital requirements, and there has been no change with respect to overall capital risk management strategy during the year.

ASSESSMENTS

Revenue is generated through the following fees for each Division:

1. Land

Applications under the *Lands Protection Act* for purchase of property by non-residents:

- Minimum of $550.00 or 1% of the agreed purchase price, whichever is greater.

2. Residential Rental Property

Applications filed pursuant to the *Rental of Residential Property Act*:

❖ Rent owing filed by a Lessor (pursuant to Section 8 of the *Act*)	$30.00
❖ Rent increase (pursuant to Section 23(3) of the *Act*)	
Two units or less	$25.00
Three or more units	$75.00
❖ All other applications by a Lessor or Lessee	$10.00

3. Technical and Regulatory Services

Petroleum

Revenues earned in the Petroleum section for this fiscal year were derived from the fees for licenses issued under the *Petroleum Products Act*, together with other related charges as set out in the schedule that follows on page 29:

(i) Wholesale Distribution License—Initial $1,500.00

(ii) Wholesale Distribution License—Renewal
Based on Total Annual Sales Volume for the Year Preceding the Current License Year (in Litres)

ASSESSMENT SCALE Annual Volume Range (in Litres)			ASSESSMENT RATE
0	-	2,500,000	$2,750.00
2,500,001	-	5,000,000	$5,500.00
5,000,001	-	15,000,000	$8,250.00
15,000,001	-	30,000,000	$11,000.00
(Over 30,000,000 - $11,000.00, plus $2,750.00 for each additional 15,000,000 or portion thereof)			

(iii) Wholesale Distribution License—Supply of 20 lb. Cylinders to Propane Exchange Centres—Initial and Renewal $500.00

(iv) Outlet License—Retail Distributor—Initial $1,500.00

(v) Outlet License—Retail Distributor—Renewal
Based on Total Sales Volume for Previous Year (in Litres)

ASSESSMENT SCALE Annual Volume Range (in Litres)			ASSESSMENT RATE
Minimum			$300.00
1,000,001	-	2,000,000	$400.00
2,000,001	-	3,000,000	$500.00
3,000,001	-	4,000,000	$600.00
4,000,001	-	5,000,000	$700.00
5,000,001	-	6,000,000	$800.00
6,000,001	-	7,000,000	$900.00
7,000,001	-	8,000,000	$1,000.00
8,000,001	-	9,000,000	$1,100.00
9,000,001	-	10,000,000	$1,200.00
10,000,001	-	20,000,000	$1,500.00
20,000,001	-	50,000,000	$1,750.00
Over 50,000,000			$4,000.00

(vi) Outlet License—Tank Truck—Initial and Renewal (Including Consumer Propane Cylinder Delivery Trucks) $125.00

(vii) Outlet License—Consumer Outlet—Initial $200.00

(viii) Outlet License—Consumer Outlet—Renewal
Based on Total Sales Volume for Previous Year (in Litres)

ASSESSMENT SCALE Annual Volume Range (in Litres)			ASSESSMENT RATE
0	-	500,000	$100.00
500,001	-	1,000,000	$200.00
1,000,001	-	2,000,000	$400.00
2,000,001	-	3,000,000	$600.00
3,000,001	-	4,000,000	$800.00
4,000,001	-	5,000,000	$1,000.00
5,000,001	-	6,000,000	$1,200.00
6,000,001	-	7,000,000	$1,400.00
7,000,001	-	8,000,000	$1,600.00
For each additional million			$200.00

(ix) Outlet License—Cardlock/Keylock Facilities—Initial $200.00

(x) Outlet License—Cardlock/Keylock Facilities—Renewal
Based on Total Sales Volume for Previous Year (in Litres)

ASSESSMENT SCALE Annual Volume Range (in Litres)			ASSESSMENT RATE
0	-	1,000,000	$200.00
1,000,001	-	2,000,000	$400.00
2,000,001	-	3,000,000	$600.00
3,000,001	-	4,000,000	$800.00
4,000,001	-	5,000,000	$1,000.00
For each additional million			$200.00

(xi) Outlet License—Propane Exchange Centres Only—Initial and Renewal $50.00

(xii) Outlet License—Propane Refill Centres—Campgrounds Only—Initial and Renewal $50.00

(xiii) Aviation Fuel Depot $500.00

(xiv) Licenses Issued After October 1 Each Year 50% of Applicable License Fee (Minimum $35.00)

(xv) Fee for the Re-Issue or Amendment of any License During the Term of its Validity $35.00

(xvi) Administrative Fee for the Cancellation of any Unused License $35.00

4. *Public Utilities*

Water and Sewer

Pursuant to section 15 of the *Island Regulatory and Appeals Commission Act*, utilities are assessed in accordance with the following scale. Rates are calculated based on a utility's prior year revenues.

REVENUE RANGE ($)	ASSESSMENT RATE 2009-10	% CHANGE	ASSESSMENT RATE 2010-11
0 - 5,000	$275.63	0.00%	$275.63
5,001 - 10,000	$441.00	0.00%	$441.00
10,001 - 50,000	$716.63	0.00%	$716.63
50,001 - 100,000	$1,102.50	0.00%	$1,102.50
100,001 - 250,000	1.23480%	0.00%	1.23480%
250,001 - 500,000	1.21275%	0.00%	1.21275%
500,001 - 750,000	1.19070%	0.00%	1.19070%
750,001 - 1,000,000	1.16865%	0.00%	1.16865%
1,000,001 - 1,250,000	1.14660%	0.00%	1.14660%
1,250,001 - 1,500,000	1.12455%	0.00%	1.12455%
1,500,001 - 1,750,000	1.10250%	0.00%	1.10250%
1,750,001 - 2,000,000	1.08045%	0.00%	1.08045%
2,000,001 - 2,500,000	1.05840%	0.00%	1.05840%

Electric

The annual power assessment for Maritime Electric Company, Limited is levied by the Commission, pursuant to Section 15 of the *Island Regulatory and Appeals Commission Act*.

The assessment for the City of Summerside Electric Utility is determined by the Lieutenant Governor in Council, pursuant to Section 46(2)(a) of the *Electric Power Act*.

Automobile Insurance

The Commission levies annual assessments to all automobile insurers operating in the Province, pursuant to section 258.2 (3) of the *Insurance Act* and section 15 of the *Island Regulatory and Appeals Commission Act*.

Assessment amounts are based on insurers' reported proportionate premium income levels.

LANDS PROTECTION ACT

The Commission is responsible for the general administration of the PEI *Lands Protection Act*, including making recommendations to Government on applications for land purchases governed by the *Act*, monitoring the land holdings of large land owners and enforcing the *Act*.

To learn more about the *Lands Protection Act*, visit our website at www.irac.pe.ca/land.

LANDS PROTECTION – APPLICATIONS

The Commission is responsible for making recommendations to the Lieutenant Governor in Council on all applications by non-residents and corporations applying to acquire an interest in land pursuant to the *Lands Protection Act*.

Non-Resident Applications

During the reporting period, the Commission considered seventy-seven (77) applications from non-residents totaling 3,104.99 acres. Fifty (50) applications with shore frontage totaling approximately 44,194.20 feet were included in the non-resident applications.

Of those applications, the Commission recommended that the Lieutenant Governor in Council deny seven (7) non-resident applications.

Those applications involved two hundred and seventy-three point four six (273.46) acres of land.

The Commission recommended that one be denied because it believed the applicant already had a sufficient land base for seasonal residential use and had not demonstrated a need for additional land at the time. As well, the intended use was not definite and may have included "resale" of the parcel which appeared to be speculative in nature. The Lieutenant Governor in Council agreed with the Commission's recommendation and denied the application.

The Commission recommended that one be denied based upon the high-level of non-resident ownership in the area. The Lieutenant Governor in Council agreed with the Commission's recommendation and denied the application.

The Commission recommended that five applications be denied because the parcels were not "suitably advertised" on the local real estate market. The Commission believes that residents of the province should have the opportunity to compete for land prior to non-residents being given permission to acquire it. As well, in one instance, the Commission believed the applicants had a considerable land base in the province and had not demonstrated a need for additional land at the time. The Lieutenant Governor in Council disagreed with the Commission's recommendations for two of those applications and approved them, one without conditions and one approval subject to identification for non-development use.

Non-Resident Applications

Corporate Applications — Resident

During this same period, the Commission considered one hundred and fifty-eight (158) applications involving 9,844.27 acres of land from resident corporations. Forty-five (45) applications with shore frontage totaling approximately 91,278.79 feet were included in the resident corporate applications.

Of those applications, the Commission recommended that the Lieutenant Governor in Council deny two (2) resident corporate applications.

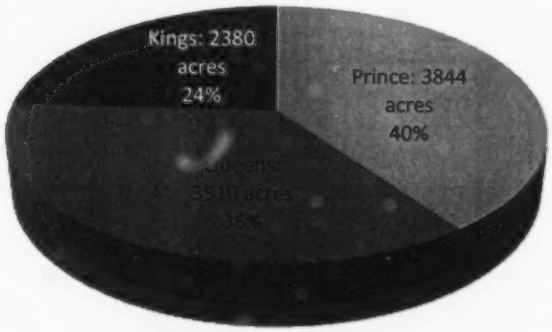
Those applications involved one hundred and ten point twenty-eight (110.28) acres of land.

The Commission recommended denial for one application because it believed that the proposed subdivision was not an efficient or sustainable use of land. The Commission was concerned about changing the use of land with high agricultural capability to a non-resource use, potential intensification of access to a three lane portion of the province's primary transportation route, and the number of undeveloped subdivision lots already approved in the area.

The Commission recommended denial for the other application because it was concerned about the development of residential subdivisions in rural areas of the province and on the periphery of incorporated communities. The Commission believed that the proposed subdivision was not the best use of the land.

The Lieutenant Governor in Council agreed with the Commission's recommendations and denied the applications.

Corporate Applications – Resident



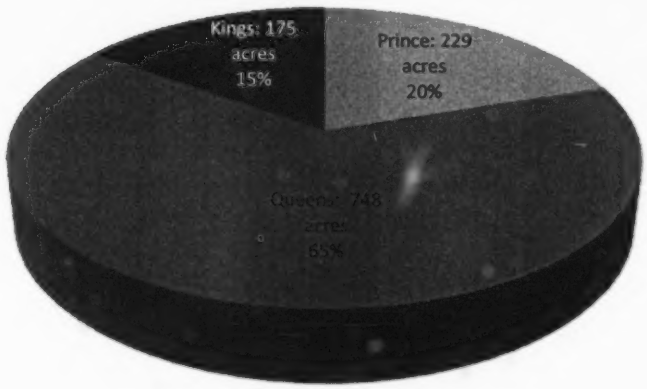
Corporate Applications — Non-Resident

Thirty-six (36) applications involving 1,156.37 acres of land were considered from non-resident corporations. Eleven (11) applications with shore frontage totaling approximately 6,647 feet were included in the corporate non-resident applications.

The Commission recommended that two applications be denied because the parcels were not "suitably advertised" on the local real estate market. The Commission believes that residents of the province should have the opportunity to compete for land prior to a non-resident corporation being given permission to acquire it.

The Lieutenant Governor in Council disagreed with the Commission's recommendations for one of those applications and approved it.

Corporate Applications – Non-Resident



Applications by County – Lands Protection Act

	PRINCE COUNTY		QUEENS COUNTY		KINGS COUNTY		TOTAL PROVINCE	
Type of Application	**#**	**Acreage**	**#**	**Acreage**	**#**	**Acreage**	**#**	**Acreage**
Non-Resident	22	672.49	26	1,393.43	24	812.97	72	2,878.89
Corporate—Resident	52	3,844.09	75	3,510.32	29	2,379.58	156	9,733.99
Corporate—Non-Resident	11	228.52	18	747.99	6	175.36	35	1,151.87
TOTAL	**85**	**4,745.10**	**119**	**5,651.74**	**59**	**3,367.91**	**263**	**13,764.75**

Global Leasing Applications — Non-Resident and Corporate

During 2010-11 eleven (11) applications involving 5,231.45 acres of land were considered and approved.

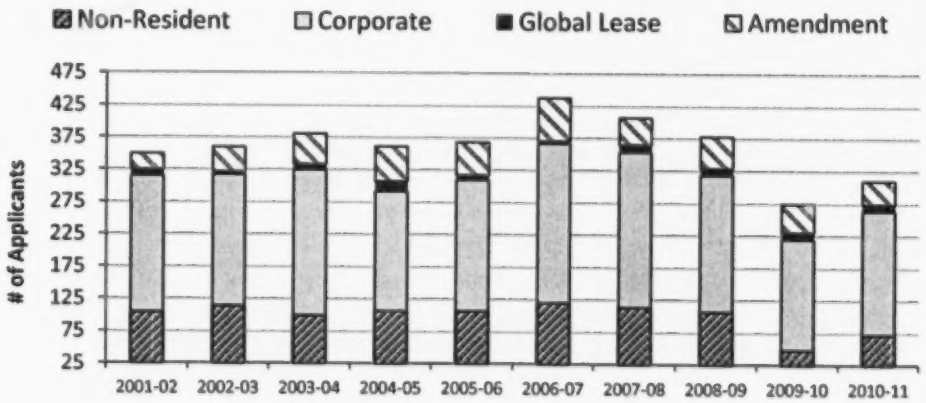
Applications to Cancel, Suspend or Amend Conditions

The Commission is also responsible for receiving applications to cancel, suspend or amend any condition, including the condition that the land be identified for non-development use, imposed under subsection 9(1) or 21(1) of the *Act*. The Commission then submits a report respecting the disposition of each application to the Minister of Finance and Municipal Affairs who makes a recommendation on the disposition of the application to the Lieutenant Governor in Council.

During the reporting period, forty-one (41) applications involving 185.08 acres were considered. Five (5) applications involving 44.43 acres were denied and the rest were approved with varying special conditions.

Summary

Below is a summary of the applications approved under the *Lands Protection* Act during 2010-11.



LANDS PROTECTION – OTHER

Annual Disclosure Process

The disclosure statements are filed pursuant to the provisions of subsection 10(2) of the *Act* which states:

> *"Without prejudice to subsection (1), any person or corporation having an aggregate land holding in excess of the limit specified in subsection (1) shall, not later than December 31 of each year, file a disclosure statement with the Commission."*

For the year 2010, the Commission received a total of one hundred and forty-six (146) land holding disclosure statements, of which thirty (30) statements were filed by corporations and one hundred and sixteen (116) filed by persons.

The Land Identification Program

Non-development use means use for purposes, including forestry, wildlife, agriculture, recreation, permanent or seasonal residence, that do not involve commercial or industrial development or subdivision.

The Commission's involvement in this program pertains to acquisitions by non-residents and corporations. The Commission is responsible for making recommendations to the Lieutenant Governor in Council on the disposition of applications including recommendations whether the land should be identified.

Under the *Lands Protection Act*, a person having an aggregate land holding in excess of 750 acres or a corporation having an aggregate land holding in excess of 2,250 acres is required to file an annual land holding disclosure statement with the Commission.

The objective of the Land Identification Program is to preserve land for resource use by identifying it for non-development use.

All Applications – Land Identification Program
Acreage Identified for Non-Development Use

Type of Application	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Non-Resident	1,739	2,167	1,392	2,797	2,411	1,791	2,234	2,269	1,085	821
Corporate	13,956	15,156	9,394	4,804	6,049	5,174	5,207	0	4,847	4,146
TOTAL ACRES	**15,695**	**17,323**	**10,786**	**7,601**	**8,460**	**6,965**	**7,441**	**2,269**	**5,931**	**4,967**

The Commission places an emphasis on the identification of land for non-development use when it considers applications by non-residents and corporations for land acquisition. Special attention is paid to applications for acquisition of coastal land, active agricultural land, speculative land transactions and land intended for subdivision.

The Commission believes that this program is particularly important to preserve the Province's resource land base from premature and non-sustainable development, given the lack of a land use plan in much of the rural area of the Province. The program assists in ensuring that land will be available for the resource sector in the future.

During the reporting period, 4,967.28 acres were designated for identification for non-development use as a result of non-resident, non-resident corporate and resident corporate applications considered under the *Act*. The acreage identified represents approximately 36% of the total acreage considered by the Commission during the reporting period.

Exemption for Environmentally Significant Class of Land

In 2009, Executive Council enacted an exemption regulation for environmentally significant class of lands. Section 35 of the *Lands Protection Act* Exemption Regulations provides for an exemption from Section 2 of the *Lands Protection Act*.

During this reporting period, Commission staff received twenty six (26) applications for exemption pursuant to Section 35, processed nineteen (19) of those and is waiting for additional information from the applicant for the remaining seven (7).

Information and Monitoring System

The Commission's computerized land information system contains information on all applications filed with the Commission and the Land Use Commission dating back to 1977. The database also tracks persons and corporations that file annual land holding disclosure statements. This system allows the Commission to access information more quickly and efficiently when reviewing applications, conducting research and responding to public inquiries.

The Commission has provided access to certain information, pertaining to corporate and non-resident applications, to the general public through the Commission's website for the last several years. This allows applicants and others who may have an interest in a particular application to follow its progress from the time it is filed until a decision is rendered. The Commission has

expanded the relevant information now available to the public by adding a map showing the subject parcel.

The Commission continues to access property information and mapping through GeoLinc and the Department of Provincial Treasury's assessment records system, and uses a computerized mapping program called MapInfo to conduct research and studies relating to land matters. Up to date data is downloaded from the provincial database on a weekly basis.

During this reporting period, the Commission has completed development of a database to track environmentally significant lands exempted from section 2 of the *Lands Protection Act* pursuant to Section 35 of the *Lands Protection Act* Exemption Regulations.

Enforcement

Contraventions of the *Lands Protection Act* are handled on a case-by-case basis. When a contravention of sections 2, 4, 5, 5.3, 6.1 or 6.2 of the *Act* occurs, pursuant to subsection 15.1(1), the Commission may impose a penalty, of not more than $10,000.00 on any person or Corporation that has contravened.

During 2009-2010, the Commission embarked on a contravention penalty process in an effort to reduce the number of contraventions under the *Act*. In that period, the Commission issued one penalty order; however, in the current reporting period, the process is fully operational and the Commission has issued 15 penalty orders. The majority of those contraventions involved corporations or persons acquiring an interest in land prior to receiving approval to do so.

When contraventions are not fully disclosed by the contravening party, pursuant to subsection 15(1) of the *Act*, the Commission may request information and conduct an investigation for the purpose of determining whether a person or corporation has contravened the *Act* or the regulations. No investigations were launched during this reporting period.

Over the past several years, the Commission has become increasingly concerned about the number of incidences in which arrangements have been used to hold land for non-resident persons. The Commission notes that it is unaware of any exceptions or legal opinions in respect of exceptions to the *Lands Protection Act* allowing for such arrangements and thus, these arrangements will continue to be dealt with as a circumvention of the *Lands Protection Act*.

Municipal Boundary Extensions

The Commission is responsible for conducting public hearings with respect to municipal boundary extensions. Pursuant to subsection 12(1) of the *Municipalities Act*:

> *"12(1) Where a municipality wishes to extend its boundaries to include an area for which no municipal government is provided under this Act, it may apply to the Minister for approval of the annexation of that area."*

Pursuant to subsection 13(1), upon receipt of such application, the Minister shall direct the Commission to conduct a public hearing and make a recommendation to the Minister on the disposition of such application.

On March 30, 2010 the Minister referred an application to extend the municipal boundaries of the Town of Kensington to the Commission. The hearing of this application was held on May 11, 2010. The Commission's report to the Minister was sent on May 14, 2010.

On August 30, 2010, the Commission received another referral from the Minister for an application to extend the municipal boundaries of the Town of Kensington. The hearing of this application was held on November 5, 2010. The Commission's report to the Minister was sent on November 16, 2010.

REGULATORY FUNCTIONS

Petroleum

Petroleum regulation in Prince Edward Island is governed by the *Petroleum Products Act*, R.S.P.E.I. 1988, Cap. P-5.1. The purpose of the *Act* is set out in Section 2, which reads as follows:

> *"The purpose of this Act is to regulate the distribution and sale of petroleum products within the Province of Prince Edward Island for use within the province, and the type, location, and operation of facilities and equipment associated therewith, and to ensure at all times a just and reasonable price for heating fuel and motor fuel to consumers and licensees within the province."*

In addition, the Commission is required when dealing with applications for annual renewal of all licenses, to consider whether the licensee is in a position to ensure an adequate supply of product during the coming year, the quantity of petroleum products sold in the previous year and the quality of service which the outlet renders to the community in which it is situated. The Commission expects to receive a minimum of three months' notice, especially in the case of wholesaler-owned outlets, of an intention to close a licensed outlet or remove a licensed service. Wholesale licenses bear the following condition:

> *"It is a condition of this license that the licensee shall maintain the level and type of service offered as of the date of this license, and shall not interrupt the supply of petroleum products and related services to retailers and consumers, unless prior written approval has been obtained from the Commission."*

It is an important principle in regulation that, when a license is issued under the *Act*, a licensee cannot service customers selectively nor can a licensee arbitrarily discriminate against certain customers. It is a requirement of the Commission that products and services be provided in accordance with the class of license issued as prescribed by section 63 of the *Act*.

The Commission administers the *Petroleum Products Act*. The Act sets forth the requirements for the licensing of petroleum outlets in Prince Edward Island and the determination of just and reasonable wholesale and retail prices.

Current and archived pricing information on all products is available on the Commission's website at www.irac.pe.ca/petrol

Summary of Petroleum Licenses Issued

	wholesalers	retail outlets	retail distributors	tank trucks	TOTAL
2010	20	198	16	81	315
2009	16	208	16	84	324
2008	14	209	16	84	323
2007	13	215	16	83	327
2006	14	205	18	88	325
2005	13	208	17	90	328
2004	13	211	19	92	335
2003	12	204	23	84	323
2002	12	209	28	90	339
2001	9	208	27	95	339

NOTE: In addition to the above licenses, Slemon Park Corporation has been licensed since 1992 with respect to the sale of aviation fuels.

Under the *Act*, no wholesaler or wholesaler-retailer shall bring into the province, cause another to bring into the province or distribute within the province, any petroleum product unless that wholesaler or wholesaler-retailer holds a license authorizing such activities. The *Act* also provides that no retailer, wholesaler or wholesaler-retailer shall sell or furnish any petroleum product or keep any petroleum product for sale at an outlet unless that retailer, wholesaler or wholesaler-retailer is the holder of a license with respect to each such outlet, and then only as specified in the license and subject to the *Act* and Regulations.

In the area of petroleum licensing, Section 20 of the *Act* requires that the Commission, when issuing a retailer's license, consider the public interest, convenience and necessity by applying such criteria as the Commission may from time to time consider advisable. This includes, but is not restricted to, a consideration of the demand for the proposed service, the location of the outlet, traffic flows and the applicant's record of performance.

Petroleum Retail Outlets by Classification

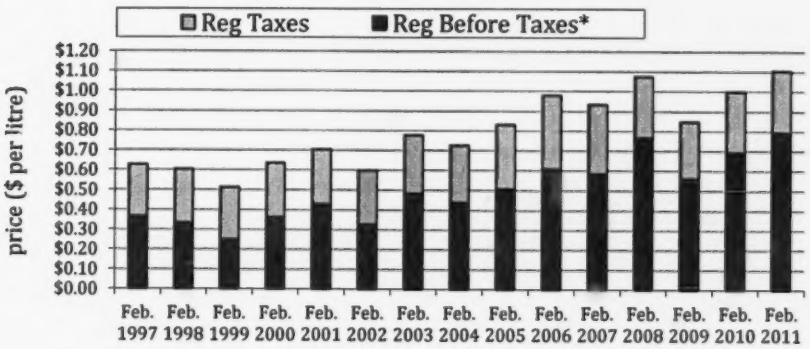
	stations*	merchants	garages	marine	propane only	TOTAL
2010	20	68	5	57	48	**198**
2009	20	71	5	62	50	**208**
2008	22	72	5	62	48	**209**
2007	24	73	6	69	43	**215**
2006	31	70	6	67	31	**205**
2005	34	68	6	70	30	**208**
2004	38	68	6	74	25	**211**
2003	38	70	6	73	17	**204**
2002	41	69	6	74	19**	**209**
2001	49	68	9	75	7	**208**

* Includes Commercial Diesel Cardlock until 2002
** Includes 12 newly licensed as propane exchange centres only

The following 20 wholesalers were licensed under the *Act* to do business in this Province during this reporting period: Ultramar Ltd., Shell Canada Limited, Imperial Oil Limited, Irving Oil Commercial GP, Irving Oil Marketing GP, Highlands Fuel Delivery GP (dba Irving Energy Distribution and Marketing), Suncor Energy Products Partnership (dba Petro-Canada), Co-op Atlantic, Wilson Fuel Co. Limited, XTR Energy Company Limited, Parkland Industries Ltd. (dba Bluewave Energy Ltd. and Island Petroleum), Petro-Canada Lubricants Inc., Mansfield Oil Company of Gainesville, Inc., Superior Plus Inc. (dba Superior Propane), Kenmac Energy Inc., Lakeshore Fuels Inc., Supreme Tank Incorporated, Rapidgaz Exchange Service Inc., Royal Propane & Hearth Inc. and Caledon Propane Inc.

In the area of petroleum pricing, the Commission's legislative mandate requires that it ensure a just and reasonable price for heating and motor fuels to consumers and licensees within the Province. In addition to dealing with individual applications for price changes to wholesalers' dealer and posted consumer prices, the Commission monitors available pricing information from local, national and international sources.

Regular Gasoline – Pump Prices

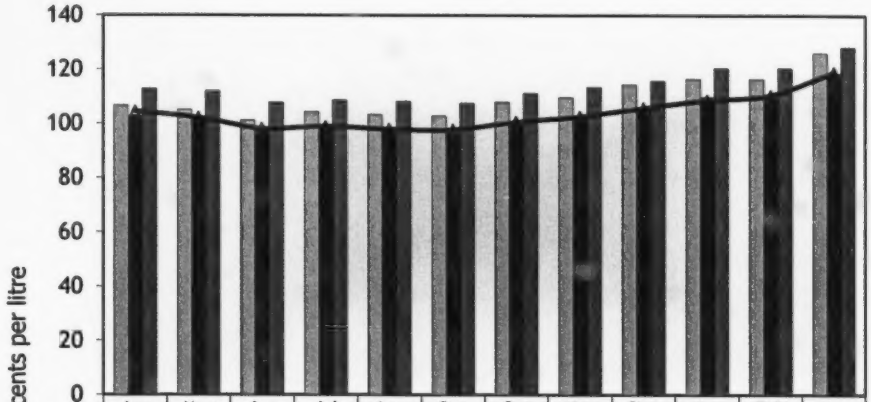


* Includes average dealer markup of 5.5 cent per litre

The Commission also has the responsibility of determining retailers' minimum and maximum markups. Currently, the authorized markups range from 4.5 to 6.5 cents per litre at self-serve pumps, and from 6.5 to 9.5 cents per litre at full-serve pumps. In addition, the markup selected by a dealer for each method of dispensing must be consistently applied to each grade of gasoline sold or offered for sale at the outlet. At split-serve outlets, diesel fuel and each grade of gasoline sold at self-serve pumps must be priced at least 2.0 cents lower than the prices at which full-serve diesel fuel and each grade of gasoline are being offered for sale.

The following schedule compares regional regular unleaded gasoline prices during this reporting period.

Regular Unleaded Gasoline Prices – Atlantic Region



	Apr 2010	May 2010	Jun 2010	Jul 2010	Aug 2010	Sep 2010	Oct 2010	Nov 2010	Dec 2010	Jan 2011	Feb 2011	Mar 2011
Halifax	106.6	105.1	101.2	104.3	103.3	102.8	108	109.6	114.3	116.5	116.5	126.1
Fredericton	102.4	101.6	97.4	98.3	97.7	96.5	99.6	102.7	105.1	109.8	109.8	118.6
St John's	112.8	112	107.7	108.6	108.2	107.5	111.1	113.4	115.8	120.5	120.4	128.3
Ch'town	104.4	102.2	98.1	98.9	97.9	97.7	100.6	102.6	105.7	108.6	110.5	119

All petroleum product price changes authorized by the Commission are the subject of public notice. Current and archived pricing information on all products is available on the Commission's website at www.irac.pe.ca.

During the period covered by this report, the Commission issued 51 formal Orders relating to petroleum regulation.

Following is additional statistical data for the calendar years 2001-2010, including statistics relating to average gasoline volume per retail outlet (general merchant/service station/garage).

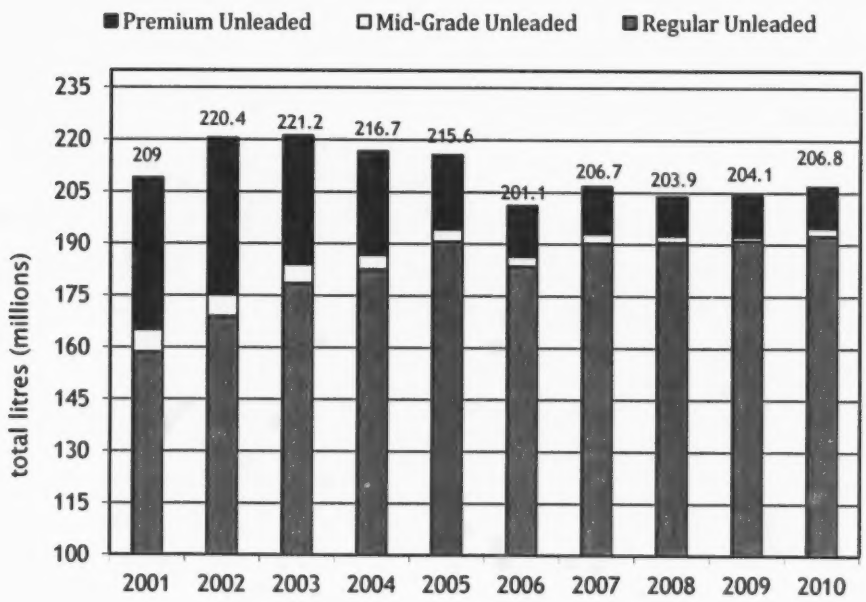
Products Sold (in Litres)

	gasoline	fuel oils	diesel	propane	TOTAL
2010	206,838,530	136,236,802	78,928,836	19,794,245	**441,798,413**
2009	204,146,117	152,735,666	79,634,904	20,775,982	**457,292,669**
2008	203,898,647	159,387,400	74,474,033	20,962,027	**458,722,107**
2007	206,735,629	171,956,926	80,292,701	22,083,751	**481,069,007**
2006	201,132,906	152,653,541	81,319,436	20,156,213	**455,262,096**
2005	215,606,663	181,001,327	86,042,708	21,247,305	**503,898,003**
2004	216,693,837	194,930,634	83,033,209	21,764,407	**516,422,087**
2003	221,220,829	197,008,105	84,807,293	20,359,506	**523,395,733**
2002	220,363,661	193,478,213	79,268,308	20,140,851	**513,251,033**
2001	208,970,074	180,317,704	85,272,665	20,330,264	**494,890,707**
2000	209,630,327	187,808,918	73,596,810	19,261,292	**490,297,347**

Retail Dealers — Gasoline Volume Statistics

	retail gasoline volume (litres)	number of outlets	average volume/outlet
2010	201,067,450	93	2,162,015
2009	196,896,709	96	2,051,007
2008	188,932,978	99	1,908,414
2007	192,890,821	103	1,872,726
2006	189,418,271	107	1,770,264
2005	197,224,392	108	1,826,152
2004	200,831,674	112	1,793,140
2003	202,788,877	114	1,778,850
2002	203,048,718	115	1,765,641
2001	193,792,185	124	1,562,840

Sales of Gasoline by Grade



In the area of public utilities, the Commission derives its authority under the *Electric Power Act* and the *Water and Sewerage Act*. The former *Act* applies to electric utilities operating in the province and the latter applies to municipal water and wastewater utilities[1].

Electricity

The *Electric Power Act* came into effect on January 1, 2004 and returned Maritime Electric Company, Limited (Maritime Electric), the province's principal supplier of electric power, to the jurisdiction of the Commission. The legislation provides, as well, for the regulation of electric power rates and charges of the City of Summerside Electric Utility insofar as that utility provides services beyond its corporate limits. However, by virtue of the *Electric Power Act City of Summerside Electric Utility Exemption Regulations*, the Summerside Utility is largely exempt from the jurisdiction of the Commission so long as its rates and charges for services provided beyond its corporate limits do not exceed its rates for services provided within the City.

On December 9, 2010, the *Electric Power (Electricity-Rate Reduction) Amendment Act* was proclaimed in the Legislative Assembly. This *Act* reduces electricity pricing by 14% for customers of Maritime Electric Company, Limited and freezes these reduced rates until March 1, 2013. During this time, the Commission will have limited jurisdiction over electricity matters on P.E.I. It is expected that after March 1, 2013, the Commission will resume regulatory responsibility, as existed prior to this amendment *Act*.

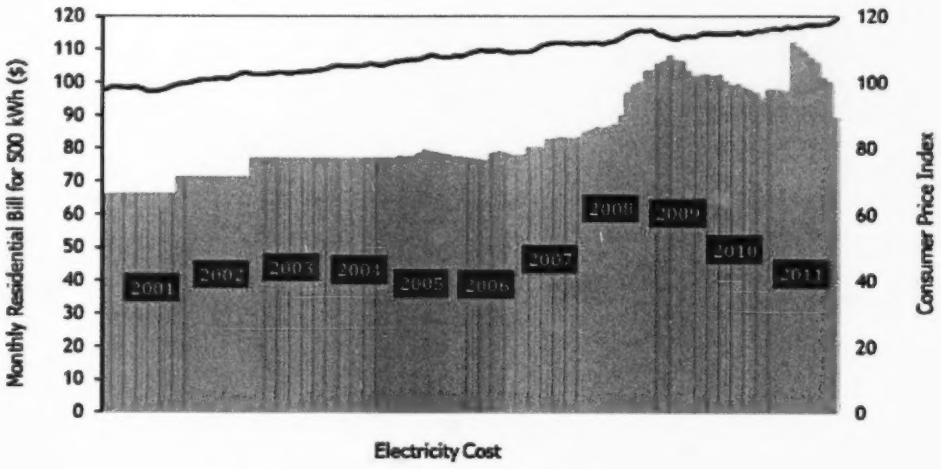
Maritime Electric received approval for its 2011 capital budget estimates and 2009 capital budget expenditure variances. In addition, Maritime Electric filed evidence which outlines its compliance with the *Renewable Energy Act* required percentage of electrical energy from renewable sources. This evidence outlines that Maritime Electric sourced 19.77% of electrical energy from renewable sources and thus exceeded the *Renewable Energy Act* requirement of 15%.

The Commission's regulatory powers are derived from the *Electric Power Act*. On November 25, 2010, the *Electric Power (Electricity-Rate Reduction) Amendment Act* was tabled in the Legislative Assembly by the Honourable Richard F. Brown, Minister of Environment, Energy and Forestry.

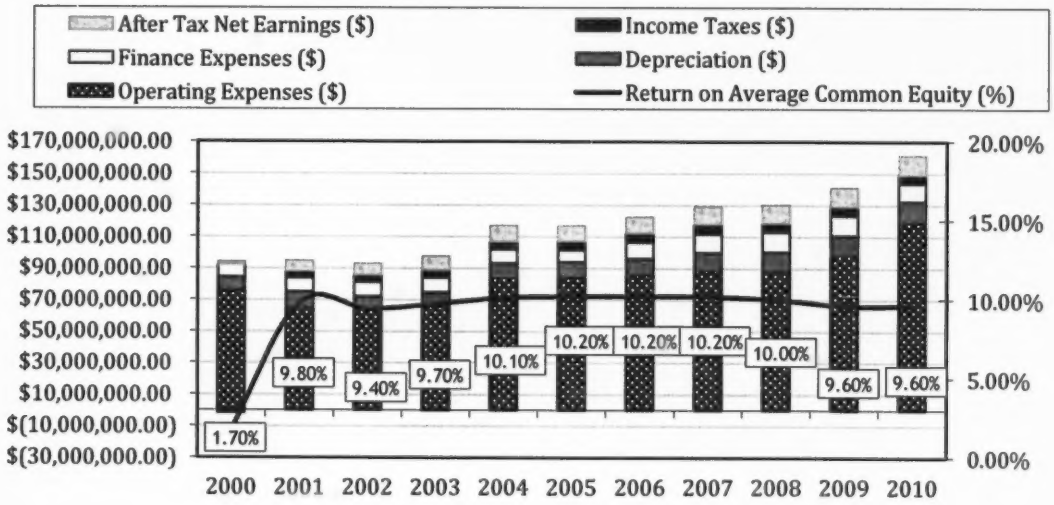
To learn more, visit our website at: www.irac.pe.ca/electric

[1] The water and wastewater utilities operating in the Cities of Charlottetown and Summerside and the Towns of Stratford and Cornwall are exempt from the jurisdiction of the Commission.

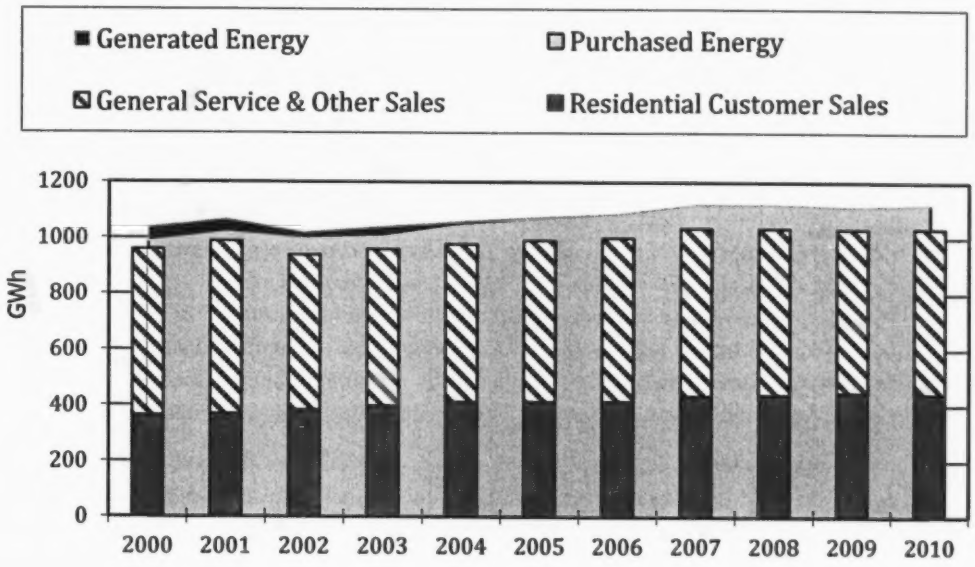
Electricity Costs Compared to the CPI – Maritime Electric



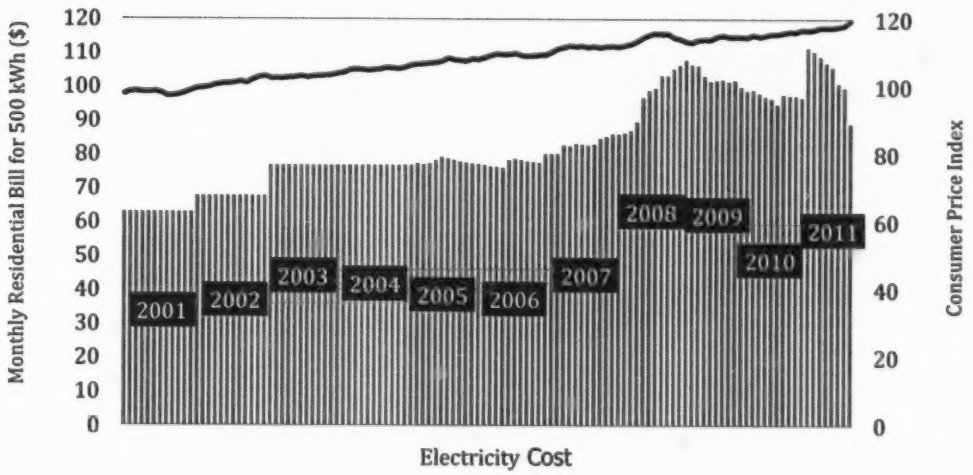
Selected Financial Data - Maritime Electric



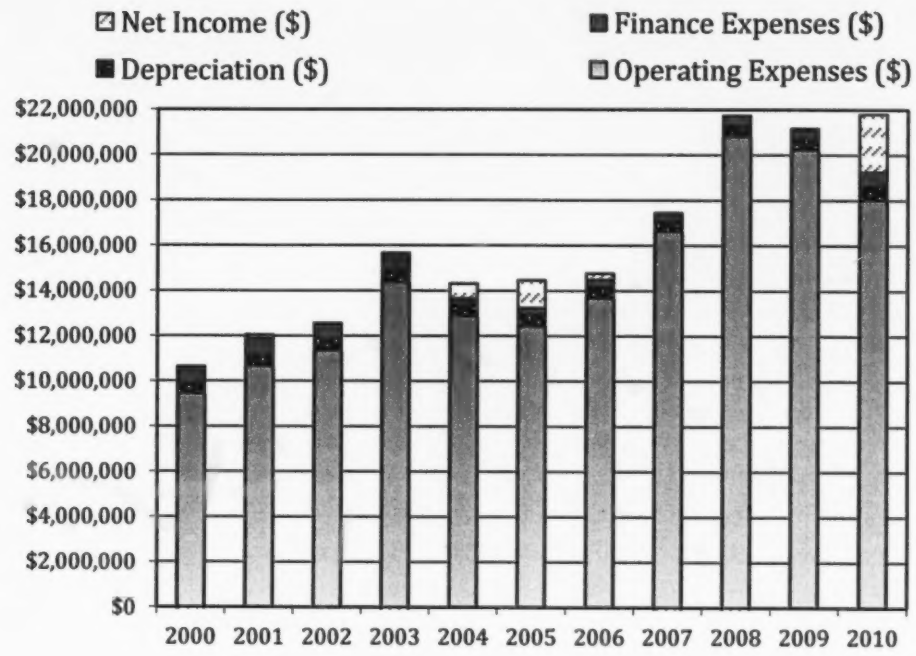
Selected Operating Data - Maritime Electric



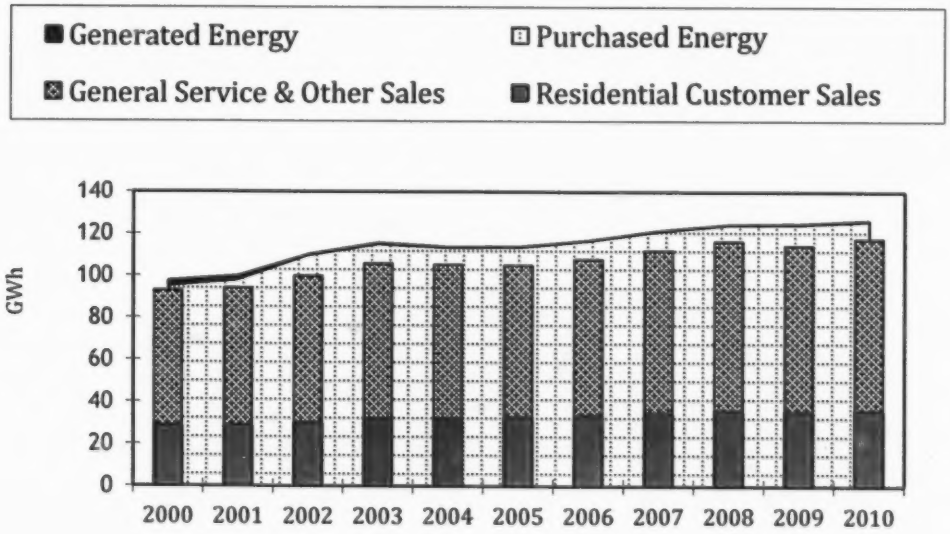
Electricity Costs Compared to the CPI - Summerside Electric



Selected Financial Data – Summerside Electric



Selected Operating Data - Summerside Electric



Water & Sewer

During this period, in the area of municipal water and wastewater utilities, the Commission issued fifteen (15) permits approving construction projects for various municipalities and three (3) rate-related Orders.

Specifically, construction projects approved by the Commission included upgrades to the central sewage treatment plants in Crapaud, Cavendish, Wellington and Georgetown, the replacement of a service outfall pipe in Tignish, sewer main line replacements in certain areas of Alberton and Tignish, as well as service extensions in North Rustico, Kinkora and Murray Harbour.

In addition, North Rustico was approved to carry out upgrades to its water system, including a new chlorination system and control building, and several water and sewer extension projects were approved, including work in Kensington, Souris, Victoria and Montague. Certain sections of water and sewer lines were replaced along Main Street in Souris as well.

Partial funding of municipal projects continued to be available through various federal-provincial development initiatives. Many municipalities also allocated gas tax funds toward utility projects, which helped reduce costs.

During the 2010-11 period, the Commission issued three water/wastewater rate-related Orders. High infrastructure costs and increased expenditures continued to impact utilities. Sewer rates in Hunter River were raised to offset increased plant operating costs and, in Tignish, overall increases in both water and sewer rates were necessary. In Murray Harbour, the utility's sewer tariff was restructured to eliminate a seasonal component of their rate schedule, which resulted in a slight decrease in the overall annual rate.

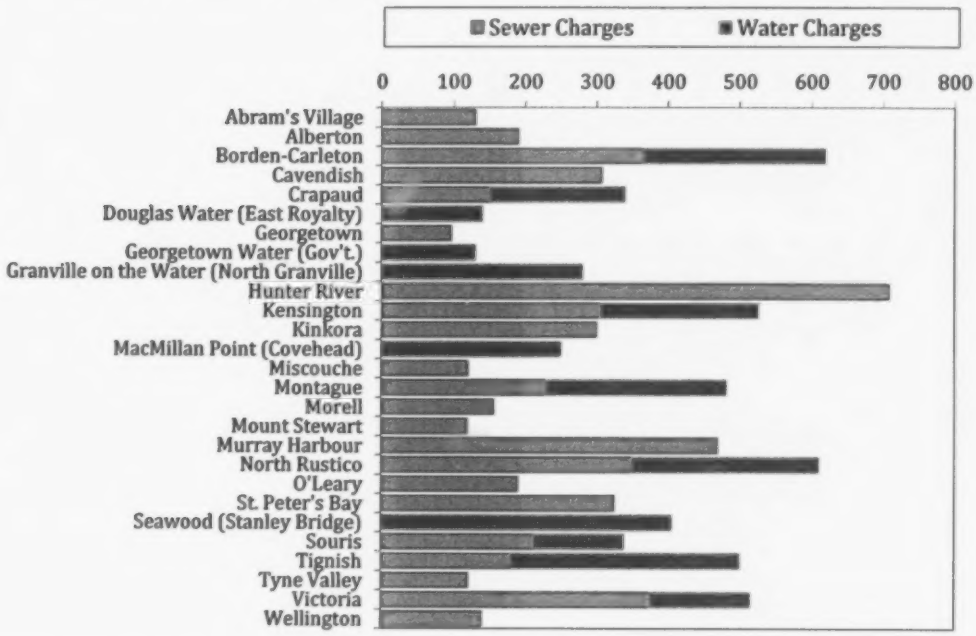
Copies of the Permits issued for the various projects, as well as Commission water/sewer Orders are available on the Commission's website at http://www.irac.pe.ca/utilities/.

In 1997, the Commission introduced a uniform system of accounts for water and wastewater utilities. The uniform system provides consistency and comparability and has generally been well received by the utilities under the Commission's jurisdiction and the accounting community. The benefits of uniform accounts are being realized, particularly now that all of the utilities have adapted to the uniform reporting system.

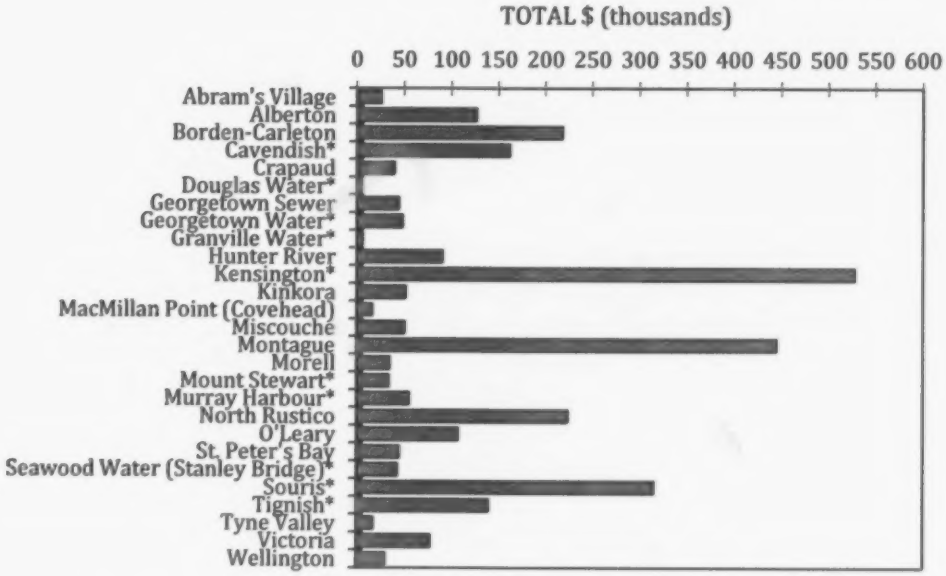
The Commission regulates all water and wastewater utilities in Prince Edward Island, excluding municipal utilities in Charlottetown, Summerside, Stratford and Cornwall.

Visit our website at http://www.irac.pe.ca/utilities

Sewer-Water - Annual Rates - (Based on a Single Family Dwelling)



Sewer-Water - Annual Utility Revenue



*Unreported – figures are based on previous years

Throughout the period, the Commission continued to encourage utilities to keep their ratepayers informed of utility-related activities taking place in their community. The awareness helps customers better understand the utilities' role and the importance of what they do. It also develops a better appreciation of the connection between the cost of operating and maintaining systems and utility rates.

In 2010, a survey was sent to utility administrators asking for feedback on the awareness of the Commission's role as a water-sewer regulator and requesting information on areas where further improvement might be achieved. Meetings with the utilities are planned for the next period to follow up the information gathered.

In addition, numerous utility-related inquiries and complaints were addressed during this reporting period.

Automobile Insurance

In December of 2003, the provincial government amended the *Insurance Act* to place the supervision of automobile insurance rates under the jurisdiction of the Commission. The legislation required that all insurers providing automobile insurance in Prince Edward Island file their rates with the Commission on, at least, an annual basis.

This past year, the Commission reviewed a total of 59 rate and/or rate related filings. On a weighted average basis, the overall rate impact observed on PEI for this period amounted to -1.1%. This, combined with average rate reductions of 9.9% in 2004, 3.3% in 2005, 4.8% in 2006, 3.4% in 2007, 0.0% in 2008 and +0.1% in 2009, yields a combined weighted average rate reduction of approximately 21.6% since the introduction of insurance reform in 2003.

As observed in previous years, the Commission's analysis revealed that there were broad differences in the rates charged by different companies for similar insurance coverage. Accordingly, the Commission is of the opinion that strong competition in the general insurance market continues to exist in Prince Edward Island.

The Commission administers section 258 of the *Insurance Act* and is responsible for reviewing the rates of every insurer carrying on the business of automobile insurance in Prince Edward Island.

Waste Management

The *Environmental Protection Act* requires Commission approval of variations to existing rates and proposed rates for new services by the Island Waste Management Corporation (IWMC). In seeking rate changes, the IWMC is required to file with the Commission a schedule of proposed rates, a submission justifying or explaining the proposed rates and any such information as the Commission may require. In December, 2009 the Commission approved an increase in the basic household fee to $199.85 as well as increases in the per tonne rates for bulk drop off of various waste materials.

In June, 2005, the Legislature amended the *Environmental Protection Act* requiring Commission approval of variations to existing rates and rates for new services by the Island Waste Management Corporation (IWMC).

APPELLATE FUNCTIONS

Planning

Under the *Planning Act*, the Commission is responsible for hearing and deciding appeals relating to land use.

As an appellate body, the Commission hears appeals from persons who are dissatisfied with decisions made by the Minister of Finance and Municipal Affairs or a municipal council pursuant to subsections 28(1) and 28(1.1) of the *Act*. These provisions are set out as follows:

> ***28.** (1) Subject to subsections (1.2) to (4), any person who is dissatisfied by a decision of the Minister that is made in respect of an application by the person, or any other person, pursuant to the regulations for*
>
> *(a) a development permit;*
> *(b) preliminary approval of a subdivision or a resort development;*
> *(c) a final approval of a subdivision;*
> *(d) the approval of a change of use; or*
> *(e) any other authorization or approval that the Minister may grant or issue under the regulations,*
>
> *may appeal the decision to the Commission by filing with the Commission a notice of appeal.*
>
> *(1.1)Subject to subsections (1.2) to (1.4), any person who is dissatisfied by a decision of the council of a municipality:*
>
> *(a) that is made in respect of an application by the person, or any other person, under a bylaw for:*
> *(i) a building, development or occupancy permit,*
> *(ii) a preliminary approval of a subdivision,*
> *(iii) a final approval of a subdivision; or*
>
> *(b) to adopt an amendment to a bylaw, including:*
> *(i) an amendment to a zoning map established in a bylaw, or*
> *(ii) an amendment to the text of a bylaw,*
>
> *may appeal the decision to the Commission by filing with the Commission a notice of appeal.*

The Commission hears planning-related appeals under a number of provincial statutes. Subject to the specific requirements of section 28 of the *Planning Act*, municipal and ministerial land use planning decisions may be appealed to the Commission. *The Roads Act*, *Unsightly Property Act* and the *Heritage Places Protection Act* also include specific rights of appeal to the Commission.

In 2010-2011, the Commission received a total of 23 appeals. In addition, 9 appeals were carried forward from previous years. Of these 32 appeals, 4 were allowed, 9 were denied, 3 were subsequently withdrawn by the Appellant and, in 1 appeal, the Commission did not have jurisdiction to hear the appeal. A total of 15 appeals are pending, of which 2 appeals are in mediation.

2001-2011 - Status of Planning Act Appeals

Appeals	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11
Allowed	1	1	4	1	4	3	2	3	2	4
Denied	5	1	2	10	6	9	5	9	6	9
Withdrawn	2	7	6	10	8	3	1	13	7	3
No Jurisdiction	1	3	2	9	4	3	4	1	3	1
Mediated	1	2	0	2	2	2	0	0	0	2
Pending	3	7	9	10	13	4	10	8	9	13
Total	13	21	23	42	37	24	22	34	27	32

While all appeals may have the potential to set a precedent, appeals where the Commission's jurisdiction is at issue have an especially important impact as they help to establish what kinds of future appeals the Commission can, and cannot, hear. The following appeal may be of particular interest for the future.

In appeal LA10002, Order LA10-05, the Commission found that it did not have the jurisdiction to hear a purported decision of a municipality as the municipality in question merely sent a letter to a developer outlining procedural steps that needed to be taken before the municipality could make a decision. In that appeal, the Commission found that there was no intent by the municipality to deter or effectively deny an application. The Commission went on to add that:

> *"If the Commission finds that a letter from a municipal decision maker seeks to thwart or effectively deny a land use planning decision while not formally making such a decision, such letter may be viewed as an attempt to circumvent the appeal provisions in the **Planning Act** and thus deny the right of appeal. In such a scenario, the Commission will interpret the term "decision" set out in section 28 of the **Planning Act** in accordance with the **Interpretation Act**, the objects of the **Planning Act** and other relevant enactments. Under such circumstances, the Commission would, in all likelihood, find that it had the jurisdiction to hear the appeal."*

Real Property Assessments

The Minister of Finance and Municipal Affairs is responsible for administering the *Real Property Assessment Act*. Sub-section 22(1) of the *Act* states:

> *"Where an assessment has been referred to the Minister under Section 20, and after the Minister has notified the person making the reference of his*

decision, the person making the reference may appeal to the Commission to have the assessment vacated or varied."

In 2010-2011, the Commission received 8 appeals. In addition, 23 appeals were carried forward from previous years. Of these 31 appeals, 8 were subsequently withdrawn, one appeal was denied, 3 appeals were allowed and 19 appeals are currently pending.

Real Property Taxes

The Minister of Finance and Municipal Affairs is responsible for administering the *Real Property Tax Act*. Subsection 35(1) of the *Act* reads:

"Where a tax has been referred to the Minister under Section 33, and after the Minister has notified the person making the reference of his decision, the person making the reference may appeal to the Commission, to have the tax vacated or varied."

No appeals were filed with the Commission during this reporting period.

Appeals under the Emergency 911 Act

Section 10 of the *Emergency 911 Act* authorizes the Lieutenant Governor in Council to make regulations respecting appeals to the Commission from decisions of the Provincial Tax Commissioner addressing objections of telecommunications carriers in respect of assessments, reassessments and estimates. Where a telecommunications carrier disputes liability for an amount indicated as being due and payable, the *Emergency 911 Act 911 Cost Recovery Fees Regulations* provides the telecommunications carrier with the right to appeal a decision of the Provincial Tax Commissioner with respect to the reconsideration of the assessment, reassessment or estimate.

No appeals were filed with the Commission during this reporting period.

Revenue (Sales) Taxes

Under the *Revenue Administration Act*, the Commission acts as an appellate tribunal that hears appeals from decisions of the Provincial Tax Commissioner in relation to tax assessments made under several provincial revenue acts.

No appeals were filed with the Commission during this reporting period.

Unsightly Properties

The *Unsightly Property Act* deals with properties that are considered unsightly. Under the *Act* an Order can be issued to an individual to clean up the property. Pursuant to Section 7 of the *Act*, where an individual is issued an Order to clean up an unsightly property, he or she may appeal to the Commission. On hearing the appeal, the Commission may confirm, rescind or in any manner vary the Order, and the judgment of the Commission shall be final.

During the reporting period, one appeal was filed with the Commission. The appeal is pending.

Entranceway Permits

The *Roads Act* is the responsibility of the Minister of Transportation and Infrastructure Renewal. The Commission has appellate jurisdiction as set out pursuant to subsection 12(1) of the Highway Access Regulations:

> *"Where the Minister has discretion to issue an entranceway permit pursuant to these regulations, a decision of the Minister may be appealed to the Island Regulatory and Appeals Commission, by the applicant."*

During the reporting period, no appeals were filed with the Commission.

Heritage Places

Under the *Heritage Places Protection Act* and the *Heritage Places Protection Act Regulations*, the Minister may designate any heritage place as a designated site, structure or area. The owner of any property designated as a heritage place, or any municipality in which the property is located, may appeal the Minister's decision by written notice to the Commission within 30 days of the receipt of service of the Notice of Designation of Heritage Place.

No appeals were filed with the Commission during this reporting period.

Environmental Appeals

Section 29.1 of the *Environmental Protection Act* operates in conjunction with Section 13 of the *Environmental Protection Act - Watercourse and Wetland Protection Regulations* to provide a limited right of appeal to the Commission. This right of appeal pertains to certain decisions made by the Minister of Environment, Energy and Forestry.

Four appeals were filed with the Commission during this reporting period. Two of these appeals were withdrawn. In one matter, the Commission ruled that it did not have jurisdiction to hear the appeal. One appeal was pending during the reporting period.

Rental Appeals

Under the *Rental of Residential Property Act*, the Commission has the power to hear appeals from decisions of the Director of Residential Rental Property. Of the 350 Orders issued on rental matters by the Director during the 2010-2011 period, the Commission received 23 appeals. In addition, 3 appeals were carried forward from 2009-2010. Of these 26 appeals, one appeal was withdrawn, one appeal was deemed withdrawn as the appellant did not provide contact information, the Commission issued decisions on 23 appeals and one appeal was pending during the reporting period.

The volume of rental appeals this period — as noted above — has returned to the level experienced in 2008-2009 and is significantly lower than that experienced in 2009-2010, where out of 395 Orders issued by the Director of Residential Rental Property, 39 appeals were filed with the Commission.

OFFICE OF THE DIRECTOR OF RESIDENTIAL RENTAL PROPERTY

Roles and Responsibilities

The following outlines the major roles and responsibilities of the Office and the level of activity under each of the designated sections of the *Act*. Statistical information is based on the fiscal year from April 1, 2010 to March 31, 2011.

The administration of the *Rental of Residential Property Act* (the *Act*) is carried out by the Office of the Director of Residential Rental Property, while The Island Regulatory and Appeals Commission (the "Commission") hears appeals from the decisions of the Director of Residential Rental Property and those rental officers who have been delegated decision making power by the Director.

The *Act* establishes the obligations and responsibilities of the parties to rental agreements for residential premises. Procedures are set out to deal with violations and to enforce obligations under rental agreements. The *Act* sets out mechanisms whereby violations are expeditiously handled and the system is readily accessible to all parties. The *Act* outlines, among other things, procedures for the enforcement of statutory conditions, the handling of security deposits, the termination of rental agreements, rent owing, disposition of abandoned personal property, and properly increasing rent.

The Office has exclusive responsibility for the administration of the *Act* and Regulations. The Director is responsible for:

- Providing information to the public to promote understanding of rights and responsibilities under this *Act*;

The Office of the Director of Residential Rental Property is responsible for the administration of the *Rental of Residential Property Act*, primarily dealing with disputes between lessors and lessees.

To view our website, go to www.irac.pe.ca/rental

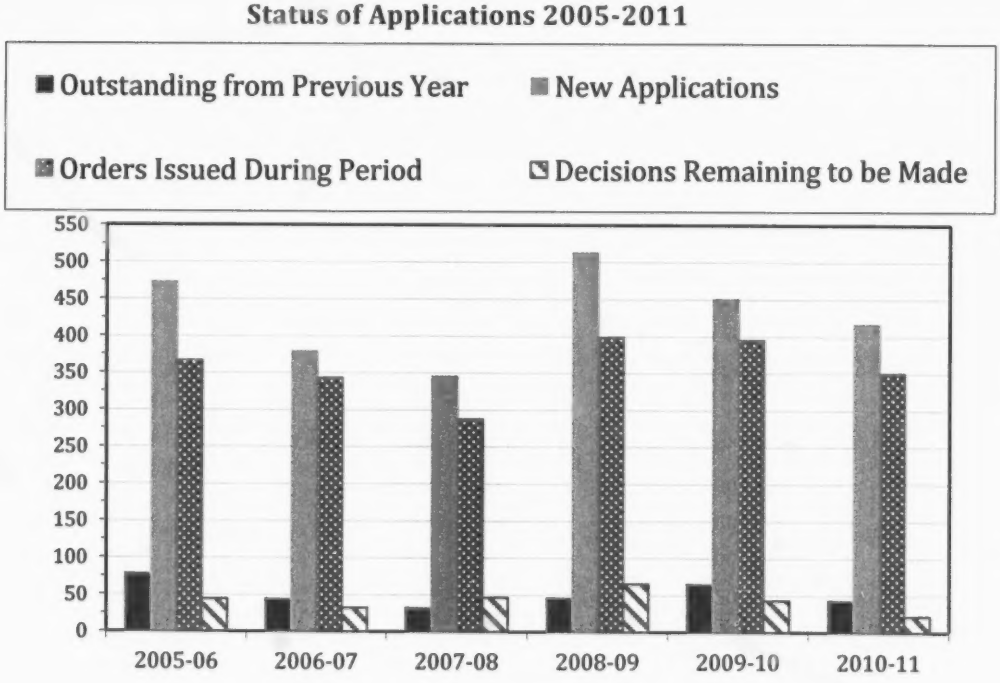
- Advising lessors and lessees with respect to matters relating to rental agreements;
- Receiving and investigating allegations of violations of rental agreements, or of the *Act* or the Regulations;
- Holding hearings, giving notice thereof to the parties, determining matters of procedure at hearings and making decisions or orders with respect to matters relating to the rights of lessors or lessees arising pursuant to this *Act*; and
- Entering and inspecting residential premises, after serving an inspection order, for the purpose of carrying out the powers or duties under this *Act* or the Regulations.

As a result of legislative changes in 1998, the *Act* applies to all premises licensed under the *Tourism Industry Act* where guests rent such premises for a continuous period of one month or more.

The *Act* is administered on a Province-wide basis with the majority of hearings being held at the offices of the Commission. Hearings are also held at various Access PEI Centres when the housing unit involved is in that regional area.

Activities

During 2010-2011, the Office received 416 new applications concerning rental matters and issued 350 orders. During the 2009-2010 reporting period, the Office received 450 new applications and issued 395 Orders.



Orders Issued – 2005-2011

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Determination of Security Deposits	56	55	40	55	46	53
Breach of Statutory Conditions	253	228	173	257	261	212
Termination	43	56	62	61	75	63
Rent Increase	14	4	12	26	13	22
TOTAL	366	343	287	399	395	350

In 2010-2011, the Office received 9,968 inquiries, as compared to 11,029 inquiries in 2009-2010.

Inquiries – 2005-2011

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
BREACH OF STATUTORY CONDITIONS						
CONDITION OF PREMISES	794	708	674	790	682	573
SERVICES	365	282	417	517	379	301
GOOD BEHAVIOR	156	186	142	167	150	113
LESSEE CLEANLINESS AND / OR DAMAGES	553	596	533	457	346	307
SUBLET BY LESSEE	38	34	39	32	66	31
ENTRY OF PREMISES	227	222	247	181	206	210
ENTRY DOORS	64	42	38	57	27	29
LATE PENALTY PAYMENT	6	3	7	10	6	6
QUIET ENJOYMENT	168	146	163	130	143	108
LESSEE DELIVERY OF POSSESSION	698	728	835	779	697	549
MOBILE HOMES	55	40	52	76	50	66
RENT	2,545	2,544	2,388	2,494	1,991	1,811
OTHER STATUTORY CONDITIONS	228	213	288	285	444	306
PERSONAL PROPERTY	284	200	220	237	221	239
WASTE MANAGEMENT	14	8	9	1	6	5
NO STATUTORY CONDITION SPECIFIED	0	0	0	0	0	0
SECURITY DEPOSITS	2,055	1,915	1,717	1,583	1,297	1,415
TERMINATION	2,470	2,491	2,625	2,557	2,451	2,261
RENT INCREASE	882	468	609	1,345	568	496
OTHER	1,737	1,652	1,680	1,769	1,299	1,142
TOTAL	**13,339**	**12,478**	**12,683**	**13,467**	**11,029**	**9,968**

Note: There are some office and telephone calls and emails or faxes which involve more than one category inquiry.

The following sections outline the level of activity under the main sections of the *Act*.

Enforcement of Statutory or Other Conditions of a Rental Agreement

The statutory conditions are those obligations of either the lessor (landlord) or the lessee (tenant) as set out in the *Act* and the standard form of rental agreement. Statutory conditions include such issues as: the condition of the premises, the services provided, lessee obligations and behaviour, payment of rent and return of rent, subletting of the premises, entry into the premises, late payment and delivery of possession. The *Act* also provides for a process for dealing with personal property abandoned by lessees. In all cases, the parties are encouraged to resolve disputes after their rights are explained. When this is unsuccessful, an application is received and processed by investigation and/or hearing.

During the reporting period, the Office received 257 applications involving statutory or other conditions. This represents a decrease of 39 from the previous year's total of 296.

Nature of New Applications

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
DETERMINATION OF SECURITY DEPOSITS	57	56	37	55	40	55
BREACH OF STATUTORY CONDITIONS						
CONDITION OF PREMISES	20	9	12	21	16	17
SERVICES	2	3	4	21	3	4
GOOD BEHAVIOR	0	0	0	1	0	0
LESSEE CLEANLINESS AND / OR DAMAGES	0	0	0	0	0	0
SUBLET BY LESSEE	0	0	0	0	0	0
ENTRY OF PREMISES	0	0	0	0	0	0
ENTRY DOORS	0	0	0	0	0	0
LATE PENALTY PAYMENT	0	0	0	0	0	0
QUIET ENJOYMENT	2	0	2	2	1	2
MOBILE HOMES	0	0	0	0	0	0
LESSEE DELIVERY OF POSSESSION	154	102	98	126	145	117
SECURITY DEPOSIT	22	22	15	17	23	22
RENT	121	90	74	112	81	65
PERSONAL PROPERTY	23	18	13	14	19	24
OTHER	4	4	5	3	8	6
TERMINATION	54	71	72	66	97	79
RENT INCREASE	14	4	13	75	17	25
TOTAL	473	379	345	513	450	416

Security Deposits

The *Act* sets out the handling and processing requirements for security deposits taken as a condition of the rental agreement. The lessor is required to deposit the funds at a financial institution in a designated trust account and interest accrues while the deposit is held. Within 10 days of the lessee delivering up possession of the premises, the lessor is to return the deposit with interest. The lessor may retain all or a portion of the deposit to cover damages or unpaid rent but if this is done, the lessee must be advised of the nature and amount of charges made. If an agreement is not reached between the parties, the lessee may request a decision by the Director, at which time the deposited funds are forwarded and held in trust by the Director. An investigation is then carried out and a decision is rendered.

The Office received 55 applications involving security deposits during this reporting period. This represents an increase of 15 from the previous year's total of 40 applications.

Termination of Rental Agreements

The *Act* provides for limited security of tenure for the lessee whereby the lessee must be given, in writing, the proper notice and the reason for the termination of the rental agreement. Termination is allowed only for the reasons set out in Sections 13, 14 and 15 of the *Act*. If a lessee wishes to challenge a notice of termination, the lessee must apply to the Office. The lessor may also apply for earlier termination of the rental agreement where circumstances warrant. In either case, when an application regarding termination is received, an investigation is carried out and a decision rendered.

In 2010-2011, the Office received 79 applications involving the termination of rental agreements during the reporting period. This represents a decrease of 18 from the previous year's level of 97 applications.

Rent Increases

Each year the Director invites written representation from lessors and lessees to assist in establishing the annual prescribed percentage rent increase. The Director is responsible for preparing background material for the Commission, with the Commission responsible for making the decision on the allowable percentage rent increase for the coming year. In 2009, the Commission had established the allowable percentage rent increase for 2010 at 3% for unheated residential premises and mobile home sites and 5% for heated residential premises. In 2010, the Commission established the permissible rent increase at 1% for all unheated residential premises and mobile home sites, and at 2% for heated residential premises. Any rent increase exceeding the established amount requires approval by the Director before being charged and collected.

During the reporting period, the Office received 25 applications involving rent increases. This represents an increase of 8 from the previous year's level of 17 applications.

Appeals to the Commission

The Commission has the power to hear appeals from the decisions of the Director. Of the 350 Orders issued on rental matters during the reporting period, 23 were appealed to the Commission. During 2009-2010, 39 of the 395 orders issued by the Director were appealed to the Commission.

Significant Events

During this reporting period, the Office continued to experience a high level of activity. It continues to review its current resources and practices in order to increase its efficiency and to better assist in the timely resolution of disputes between lessors and lessees. The Office constantly strives to reduce the average time required to process matters from the time the application is filed to when a decision is rendered.

The Office continues its commitment to providing reliable general information on rental issues, both through its website (www.irac.pe.ca/rental) and through presentations given throughout the Province by the Information Officer and by Rental Officers. Information sessions were held throughout the province with audiences of youth, industry, and educational groups throughout the reporting period. As well, a series of presentations by the Information Officer, designed to update the skills of the front line workers at Access PEI offices who deal with applications made at their offices throughout the Province under the *Act* are planned for early in the next fiscal year.